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BEFORE THE  
**FEDERAL TRADE  
COMMISSION**

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*Conference with National Lumber  
Manufacturers Association*

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*Chicago, July 19-20, 1915*

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# BEFORE THE FEDERAL TRADE COMMISSION

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## CONFERENCE WITH NATIONAL LUMBER MANUFACTURERS ASSOCIATION

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Chicago, Illinois, Monday, July 19, 1915. 11:00 o'clock a. m.

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### BEFORE:

JOSEPH E. DAVIES, Chairman.

EDWARD N. HURLEY, Vice Chairman.

WILLIAM J. HARRIS.

WILL H. PARRY.

GEORGE RUBLEE.

} Commissioners.

### APPEARANCES

R. H. DOWNMAN (New Orleans, Louisiana), President National Lumber Manufacturers Association.

CHARLES S. KEITH (Kansas City, Missouri), President Southern Pine Association.

C. I. MILLARD (Norfolk, Virginia), Representing North Carolina Pine Association.

E. A. SELFRIDGE, JR. (Willits, California), Representing California Redwood Manufacturers.

GEORGE E. WATSON (New Orleans, Louisiana) Secretary, Southern Cypress Manufacturers' Association.





**The Chairman:** We will now proceed, gentlemen. The Federal Trade Commission is holding its initial hearing in the West this morning on matters connected with the industries of the country. A great many complaints have been filed, both by large and small organizations, with the Commission. The Commission has thought it desirable to afford every convenience to the business public, and has, therefore, determined to hold conferences or hearings in different parts of the country during the next two weeks, with a view to the facilitating of business and with a view to the accommodation of large and small businesses, who would perhaps find it inconvenient to come to Washington.

The lumber associations of the country are desirous of presenting certain matters to the Commission, and as a matter of accommodation for the various associations interested, we have set aside this time for hearing them, in connection with the problems of the lumber industry.

Next week we will hold hearings here in connection with foreign trade and in connection with certain other matters which are before us and which arise in conjunction with this vicinity.

We will now proceed, and will be very glad to hear Mr. R. H. Downman, of New Orleans, Louisiana, President of the National Lumber Manufacturers Association.

I might say to the gentlemen of the press that Mr. Greeley, the Assistant Forester of the Forest Service of the Department of Agriculture, and Dr. E. E. Pratt, Director of Foreign and Domestic Commerce of the Department of Commerce, are participating in these conferences with us.



## STATEMENT BY R. H. DOWNMAN, PRESIDENT, NATIONAL LUMBER MANUFACTURERS ASSOCIATION

**Mr. Downman:** Gentlemen of the Commission, the photographer has thrown a little dust on the situation, but I expect we can overcome it.

We are here today representing an industry which has an investment of practically two and one-quarter billion dollars in the way of raw material and development—an industry which is the third largest in the point of employment of all industries in the United States, engaging 695,000 men, upon whom are dependent 3,475,000 people. The success of the employer and the employee are absolutely interdependent. The condition of this business in the last eight years has been one of demoralization. Practically little or no profit has been made during that period. At the present time an actual loss in the business is occurring not only of profits, but an unavoidable, but nevertheless shameful, waste of forest resources. In some instances it will be demonstrated that the assets being converted into lumber are being sold on a basis which yields the owner nothing. This situation is due, more than any other thing, to over-production and uncontrolled competitive conditions.

The railroad industry, one of the largest consumers of lumber in the United States, has not been in the market normally since 1907, and we estimate that their consumption today does not exceed more than 50% of normal consumption.

The export business, which consumes 10% of the production of lumber, has practically ceased on account of the war. In the summer of 1914 building operations stopped by reason of financial conditions.

All of these causes, coupled with uncontrolled output, contribute to produce the demoralizing conditions that have for a long period existed and still exist. Prices have gone to pieces, wage scales have been universally reduced, and bankruptcy has overtaken a large number of individuals engaged in the industry.

To this statement there is appended a compilation of data taken from Dun's Review covering a period of five years. This data gives a vivid and tragic picture of the financial ruin that has overtaken a large number of the lumber manufacturing interests and the impending threat to all such interests. (Exhibit I.)

We present ourselves to this body at its own invitation. We earnestly urge the Commission to make the fullest possible investigation of our trade conditions—and this for the reason that we feel that if this body becomes thoroughly conversant with the industrial and economic situation as today exists in the lumber manufacturing business, you will not only permit some plan for relief, but of your own initiative, urge such a course.

It is not alone our own business interests that are being sacrificed on the altar of unlimited and uncontrolled production of timber products, but indeed the broader interest of the public itself is involved. The wicked and needless waste of a prime, natural necessity would be impossible in any other civilized country in the world. With us waste results from fear of law, in Europe waste is made impossible by law.

The suggestions to be made to this honorable body by these business men will in no way encroach on the Anti-Trust laws of our nation. It is not our purpose to urge a course of action that runs counter to the fine spirit of justice that illuminates the interpretation by our courts of these laws. The *Rule of Reason* is the very essence of the thought we seek to present. At the base of all laws is to be found the purpose of conserving public welfare. This is the ultimate view of our courts in analyzing the purpose of our Anti-Trust laws. We as business men, although wishing to benefit our own interests, seek by the suggestions to be made to this Commission to so order our affairs that self-interest will not obscure public welfare.

I desire to call your attention to the testimony of an eminent economist as to his belief in the relation of the lumber industry toward the general prosperity of this country. I quote from Brookmire's Forecaster, issued in New York on July 12 of this year:

"If it were not for the weakness in the lumber trade and the depression in the cotton states, we could predict a period of general prosperity."

I wish also to invite your attention to the situation of the present demoralized condition of this industry as seriously affecting the supply of our raw material. The price of lumber has gotten so low that a very large portion of the tree cannot be profitably manufactured. As a result of this condition thirty percent of the cut is permitted to stay in the woods to waste. Based on the production in the United States for 1909, practically fifteen billion feet of timber is wasted annually, which in a period of a trifle over three years, is one year's total consumption of lumber. Touching on this subject I desire to quote to you from the report of the National Conservation Commission in 1908, which said:



“That there is, in the economic sense, over-production of lumber is wholly true, because we manufacture more lumber than our forests can yield permanently. No economic reason fully explains the difference between the price of lumber grown in Europe. Difference in the density of population explains it only in part. But neither that nor the relation of supply to demand is the chief cause. It lies in our failure to realize that if we are to grow timber continuously to meet our needs its value must be reckoned by the cost of growing it as well as by the cost of logging and manufacture. Stumpage prices in the United States average less than one-fifth of the price of lumber at the mill. The value of anything which is needed is at least what it will cost to grow it again.”

**The Chairman:** Just what was that statement, Mr. Downman, as to the price of stumpage?

**Mr. Downman:** “Stumpage prices in the United States average less than one-fifth of the price of lumber at the mill.” That is, the value of the stumpage.

**The Chairman:** It costs five times the value of the stumpage to get it to the mill?

**Mr. Downman:** The f. o. b. price, as I take it; that is, the f. o. b. price or value of the lumber, one-fifth of which goes to the value of the stumpage under the conditions that prevailed at that time when the Conservation Commission made this statement:

“We pay generally less for lumber than it is worth,” and this is a continuation of the quotation from the Conservation Commission—“with a slight present gain to ourselves individually, and by so doing we discourage the right use of the forest and greatly increase the cost of lumber to ourselves later on, and to those who come after us. We must recognize the actual value of timber now, or pay an excessive price for it in the future, and we have carried destruction so far that we shall probably have to do both.”

I wish to file with you figures taken from the Forest Service and Census reports of 1906, 1907, 1908, 1909, 1910, 1911 and 1912, of the prices which lumber has realized, F. O. B. mills during those years, and marked as Exhibit II.

I also invite your attention to the 1909 Census report showing the number of saw mills engaged in the business, and their total production, and especially call attention to the fact that there are 48,112 mills actively and competitively engaged in the manufacture of lumber, Exhibit III.

I submit herewith Exhibit IV, taken from the same Census report of 1909, indicating the number of plants engaged in the production of various species of lumber.



## FEDERAL TRADE COMMISSION HEARING

## EXHIBIT 1.

The following is a statement of the failures in the lumber manufacturing business, as reported by Dun's Review, for the last five years:

<i>Years</i>	<i>Firms</i>	<i>Liabilities</i>
1910	427	\$14,806,274
1911	416	16,000,205
1912	421	12,971,002
1913	505	19,460,891
1914	484	22,517,908

## EXHIBIT 2.

## AVERAGE F. O. B. MILL VALUES PER M. FT.

## Softwoods

	1906	1907	1908	1909	1910	1911	1912
Douglas Fir .....	14.20	14.12	11.97	12.44	13.09	11.05	11.58
Yellow Pine .....	15.02	14.02	12.66	12.69	13.29	13.87	14.36
Hemlock .....	15.31	15.53	13.65	13.95	13.85	13.59	13.68
Redwood .....	16.64	17.70	15.66	14.80	15.52	13.99	14.13
Western Pine .....	14.01	15.67	15.03	15.39	14.26	13.88	13.62
Spruce .....	17.33	17.26	16.25	16.91	16.62	16.14	17.02
Sugar Pine .....	16.11	19.84	17.78	18.14	18.68	17.52	.....
Cypress .....	21.94	22.12	21.30	20.46	20.51	20.54	20.09
White Pine .....	18.32	19.41	18.17	18.16	18.93	18.54	19.13

## Hardwoods

	1906	1907	1908	1909	1910	1911	1912
Gum .....	13.46	14.10	13.08	13.20	12.26	12.11	12.60
Beech .....	14.05	14.30	13.50	13.25	14.34	14.09	13.51
Maple .....	15.53	16.84	16.30	15.77	16.16	15.49	15.56
Chestnut .....	17.49	17.04	16.27	16.12	16.23	16.63	16.62
Birch .....	17.24	17.37	16.42	16.95	17.37	16.61	17.43
Elm .....	18.08	18.45	18.40	17.52	18.67	17.13	16.87
Cottonwood .....	17.15	18.42	17.76	18.05	17.78	18.12	20.44
Basswood .....	18.66	20.03	20.50	19.50	20.94	19.20	19.26
Oak .....	21.76	21.23	21.23	20.50	18.76	19.14	19.63
Ash .....	24.35	25.01	25.51	24.44	22.47	21.21	20.27
Yellow Poplar .....	24.21	24.91	25.30	25.39	24.71	25.46	24.06

## EXHIBIT 3.

## LUMBER CUT BY STATES, 1909.

State	No. Mills.	Cut M. Ft.
Washington .....	1,143	3,862,916
Louisiana .....	658	3,553,918
Mississippi .....	1,795	2,572,669
North Carolina .....	3,307	2,177,715
Arkansas .....	2,060	2,111,300
Virginia .....	3,511	2,101,716
Texas .....	719	2,099,130
Wisconsin .....	1,241	2,025,038
Oregon .....	696	1,898,995
Michigan .....	1,323	1,889,724
Alabama .....	2,188	1,691,001
Minnesota .....	745	1,561,508
West Virginia .....	1,524	1,472,942
Pennsylvania .....	3,054	1,462,771
Georgia .....	2,083	1,342,249
Tennessee .....	2,643	1,223,849

State	No. Mills.	Cut M. Ft.
Florida .....	491	1,201,734
California .....	305	1,143,507
Maine .....	1,243	1,111,565
South Carolina .....	1,048	897,660
Kentucky .....	2,372	860,712
New York .....	2,308	681,440
Missouri .....	2,076	660,159
New Hampshire .....	708	649,606
Idaho .....	304	645,800
Indiana .....	1,604	556,418
Ohio .....	1,632	542,904
Massachusetts .....	643	361,200
Vermont .....	725	351,571
Montana .....	180	308,582
Others .....	3,783	1,491,462
Total .....	48,112	44,509,761

## EXHIBIT 4.

## LUMBER CUT BY SPECIES, 1909.

Kind.	No. Mills Producing	Total Cut M. Ft.
Yellow Pine .....	17,359	16,277,185
Douglas Fir .....	1,499	4,856,378
Oak .....	28,459	4,414,457
White Pine .....	9,355	3,900,034
Hemlock .....	8,572	3,051,399
Spruce .....	4,279	1,748,547
Western Pine .....	1,347	1,499,985
Maple .....	10,858	1,106,604
Cypress .....	1,504	955,635
Yellow Poplar .....	10,770	858,500
Gum .....	4,743	706,945
Chestnut .....	8,968	663,891
Redwood .....	69	521,630
Beech .....	7,701	511,244
Birch .....	4,608	452,370
Basswood .....	6,973	399,151
Elm .....	8,028	347,456
Cedar .....	1,320	346,008
Hickory .....	7,796	333,929
Ash .....	8,930	291,209
Cottonwood .....	2,922	265,600
Larch .....	230	264,022
Tamarack .....	1,148	157,192
Balsam Fir .....	1,415	108,702
Sugar Pine .....	97	97,191
Others .....	.....	374,497
Total .....		44,509,761

With this brief, general statement I desire to introduce to the Commission, representatives of the various branches of the industry, and first I will call upon Mr. C. S. Keith, representing the Southern Yellow Pine industry.

## STATEMENT OF CHAS. S. KEITH, PRESIDENT SOUTHERN PINE ASSOCIATION

GENTLEMEN OF THE FEDERAL TRADE COMMISSION:

I have been requested by my associates in the Southern Pine Association to present to you the situation which now exists in our industry, the causes for same, and the necessities for relief. They have also requested me to suggest to you for your consideration a plan which we have hoped might meet with your favorable consideration and which we expect would enable us to stop the demoralization which now exists in our business.

It is our intention to try and give you the situation in line with a communication which has already been called to your attention.

### History of the Yellow Pine Business

For the past three years, and in fact, for that matter, since the year 1907 or for the past eight years (with the exception of the last half of the year 1912 and the first half of the year 1913), the situation in the lumber business has been very unsatisfactory, and the result today is that the lumber business is in a practically ruinous condition and has been ever since the beginning of the year 1914, which was greatly accentuated by the declaration of war.

In July, of last year, conditions looked as though we had reached the point where we were coming back to normal conditions. The volume of consumption for that month was 111% of the month's output, which indicated that the consumption was on the road towards absorbing our accumulation of stocks and that the situation would shortly become normal.

### Immediate Results of the War

The immediate results of the war, as far as our own personal business is concerned, and I believe that this was a general condition of the entire industry—was a 58% reduction in the volume of our business for the month of August as compared with July, and a 39% reduction in September as compared with August, with this situation maintaining up to January 1st, of this year.



The effect of this situation upon prices was obvious, and this upon a market that was already greatly depressed, resulting in the price of lumber reaching \$11.70 at the mills for the month of December, 1914.

The results of the business for the first six months of the year 1915 have shown no improvement worthy of consideration.

### Present Conditions

Against the price of \$11.70, the amount realized for lumber in December, 1914, the cost for the manufacture of lumber in the year 1914 was \$14,495. *Kindly note Exhibits Nos. 1, 2 and 3.*

I wish to invite your special attention to the practice of the average lumber operation in the South providing at least a ten years' supply of raw material behind its operations. In some instances, the amount of raw material behind the operation exceeds that just mentioned.

On a ten years' basis of operation, it is necessary for the lumber manufacturer to liquidate 10% of his assets per annum, and in order for him to secure a 6% net return on his total capital invested, it is necessary for him to secure 27.2% on his cost of manufacture.

I now invite your attention to *Exhibit No. 4*, showing the distribution of the money received per thousand feet of lumber for each of the years of 1912, 1913 and 1914. This will disclose the fact of the actual percentage of profit on the cost of manufacture, and in the year 1914 discloses the fact of the percentage of loss thereon, which eats into the asset of timber which has been charged to the production in the form of stumpage.

I wish to call your special attention to the fact that the information which we are using in presenting our case has been furnished by companies who produce one-seventh of the entire production of yellow pine, and whose average annual shipments and production, as disclosed by these figures, were 89,490,000 feet; that these companies' equipment for logging, manufacture and distribution of their product is of the latest and most efficient character; that their operations extend over the states of Missouri, Oklahoma, Arkansas, Texas, Louisiana and Mississippi, and disclose at least an average physical condition as to logging, such as the yield per acre and general contour of the country; that these operations are exclusively in virgin pine timber and not in second growth or second cutting; that these companies are managed by men whose ability is recognized as being among the

## FEDERAL TRADE COMMISSION HEARING

## EXHIBIT NO. 1

## REALIZATION—LUMBER

Date	Feet Shipments	Receipts	Average Per M	Cost	Cost Per M	Profit Loss
1912						
Jan. ...	166,695,537	\$ 2,271,181.66	\$13.62	\$ 2,413,318.01	\$14.4774	\$ 142,136.35
Feb. ...	162,372,590	2,283,046.62	14.06	2,350,732.93	14.4774	67,686.31
March ..	160,656,575	2,298,267.69	14.31	2,325,889.57	14.4774	27,621.88
April ...	177,769,472	2,548,319.89	14.33	2,573,639.72	14.4774	25,319.83
May ...	213,222,339	3,104,537.55	14.56	3,086,905.11	14.4774	17,632.44
June ...	177,298,862	2,723,245.21	15.36	2,566,826.52	14.4774	156,418.69
July ....	192,843,580	3,055,089.09	15.84	2,791,873.65	14.4774	263,215.44
Aug. ...	194,445,638	3,101,040.33	15.95	2,815,067.31	14.4774	285,973.02
Sept. ...	156,230,834	2,617,665.94	16.76	2,261,816.22	14.4774	355,849.72
Oct. ....	174,775,105	3,051,629.79	17.46	2,530,289.18	14.4774	521,340.61
Nov. ...	168,678,011	2,994,121.27	17.75	2,442,019.02	14.4774	552,102.25
Dec. ...	163,767,184	2,927,619.95	17.88	2,370,922.97	14.4774	556,696.98
Total..	2,108,755,727	\$32,975,764.99	\$15.6376	\$30,529,300.21	\$14.4774	\$2,446,464.78
1913						
Jan. ...	205,317,056	\$ 3,660,913.98	\$17.83	\$ 3,102,073.86	\$15.1087	\$ 558,840.12
Feb. ...	177,741,106	3,237,996.56	18.21	2,685,437.11	15.1087	552,559.45
March ..	198,600,393	3,601,547.86	18.13	3,000,593.71	15.1087	600,954.15
April ...	190,405,588	3,450,675.66	18.12	2,876,780.94	15.1087	573,894.72
May ...	200,702,115	3,603,799.28	17.95	3,032,348.12	15.1087	571,451.16
June ...	164,233,659	2,911,588.53	17.72	2,481,357.10	15.1087	430,231.43
July ...	182,687,187	3,029,692.51	16.58	2,760,165.95	15.1087	269,526.56
Aug. ...	198,903,900	3,151,957.80	15.84	3,005,179.35	15.1087	146,778.45
Sept. ...	188,351,380	2,913,411.17	15.47	2,845,744.50	15.1087	67,666.67
Oct. ....	199,231,248	2,991,872.15	15.02	3,010,125.49	15.1087	18,253.34
Nov. ...	188,724,201	2,752,946.25	14.69	2,851,377.32	15.1087	98,431.07
Dec. ...	179,334,834	2,570,142.55	14.33	2,709,516.15	15.1087	139,373.60
Total..	2,274,232,667	\$37,876,544.30	\$16.6546	\$34,360,699.60	\$15.1087	\$3,515,844.70
1914						
Jan. ...	205,181,491	\$ 2,833,959.23	\$13.81	\$ 2,974,269.84	\$14.4958	\$ 140,310.61
Feb. ...	185,688,505	2,591,584.90	13.96	2,691,703.50	14.4958	100,118.60
March ..	194,971,414	2,810,506.48	14.42	2,826,266.56	14.4958	15,760.08
April ...	208,167,145	2,979,969.07	14.32	3,017,549.37	14.4958	37,580.30
May ...	216,191,839	3,028,792.86	14.01	3,133,873.67	14.4958	105,080.81
June ...	215,738,167	2,980,538.36	13.82	3,127,297.22	14.4958	146,758.86
July ...	229,853,628	3,168,090.09	13.78	3,331,912.25	14.4958	163,822.16
Aug. ...	203,970,972	2,810,834.86	13.78	2,956,722.39	14.4958	145,887.53
Sept. ..	186,083,943	2,570,251.08	13.81	2,697,435.58	14.4958	127,184.50
Oct. ....	174,502,285	2,303,014.40	13.20	2,529,550.15	14.4958	226,535.75
Nov. ...	164,166,336	1,955,080.59	11.91	2,379,722.43	14.4958	424,641.84
Dec. ...	174,837,521	2,045,377.52	11.70	2,534,409.16	14.4958	489,031.64
Total..	2,359,353,246	\$32,077,999.44	\$13.5961	\$34,200,712.12	\$14.4958	\$2,122,712.68
Total for						
3 yrs...	6,742,341,640	\$102,930,308.73	\$15.27	\$99,090,711.93		\$3,839,596.80



## EXHIBIT NO. 2

## REALIZATION—LUMBER

(Per 1,000 Feet.)

Date	Shipments—Feet	Receipts	Average	Cost	Profit	Loss	Total	
							Profit	Loss
1912								
January	166,695,537	\$ 2,271,181.66	\$13.62	\$14,4774	.....	\$ .8574	.....	\$ 142,924.75
February	162,372,590	2,283,046.62	14.06	14,4774	.....	.4174	.....	67,774.32
March	160,656,575	2,298,267.69	14.31	14,4774	.....	.1674	.....	26,895.91
April	177,769,472	2,548,319.89	14.33	14,4774	.....	.1474	.....	26,203.22
May	213,222,339	3,104,537.55	14.56	14,4774	\$ .0826	.....	\$ 17,612.17	.....
June	177,298,862	2,723,245.21	15.36	14,4774	.8826	.....	156,483.98	.....
July	192,843,580	3,055,089.09	15.84	14,4774	1.3626	.....	263,677.66	.....
August	194,445,638	3,101,040.33	15.95	14,4774	1.4726	.....	286,340.65	.....
September	156,230,834	2,617,665.94	16.76	14,4774	2.2826	.....	356,612.50	.....
October	174,775,105	3,051,629.79	17.46	14,4774	2.9826	.....	521,284.23	.....
November	168,678,011	2,994,121.27	17.75	14,4774	3.2726	.....	552,015.66	.....
December	163,767,184	2,927,619.95	17.88	14,4774	3.4026	.....	557,234.22	.....
Total	2,108,755,727	\$32,975,764.99	\$15.6376	.....	.....	.....	\$2,711,261.07	\$ 263,798.20
							*2,447,462.87	
1913								
January	205,317,056	\$ 3,660,913.98	\$17.83	\$15.1087	\$2.7213	.....	\$ 558,729.30	.....
February	177,741,106	3,237,996.56	18.21	15.1087	3.1013	.....	551,228.49	.....
March	198,600,393	3,601,547.86	18.13	15.1087	3.0213	.....	600,031.37	.....
April	190,405,588	3,450,675.66	18.12	15.1087	3.0113	.....	573,368.35	.....
May	200,702,115	3,603,799.28	17.95	15.1087	2.8413	.....	570,254.92	.....
June	164,233,659	2,911,588.53	17.72	15.1087	2.6113	.....	428,863.35	.....
July	182,687,187	3,029,692.51	16.58	15.1087	1.4713	.....	268,787.66	.....
August	198,903,900	3,151,957.80	15.84	15.1087	.7313	.....	145,458.42	.....
September	188,351,380	2,913,411.17	15.47	15.1087	.3613	.....	68,051.35	.....
October	199,231,248	2,991,872.15	15.02	15.1087	.....	\$ .0887	.....	\$ 17,671.81
November	188,724,201	2,752,946.25	14.69	15.1087	.....	.4187	.....	79,018.82
December	179,334,834	2,570,142.55	14.33	15.1087	.....	.7787	.....	139,648.04
Total	2,274,232,667	\$37,876,544.30	\$16.6546	.....	.....	.....	\$3,764,773.21	\$ 236,338.67
							*3,528,434.54	

\* Net Profit.

EXHIBIT NO. 2—Continued

REALIZATION—LUMBER.

(Per 1,000 Feet.)

Date 1914	Shipments—Feet	Receipts	Average	Cost	Profit	Loss	Total	
							Profit	Loss
January	205,181,491	\$ 2,833,959.23	\$13.81	\$14.4958	.....	\$ .6858	.....	\$ 140,410.47
February	185,688,505	2,591,584.90	13.96	14.4958	.....	.5358	.....	99,491.90
March	194,971,414	2,810,506.48	14.42	14.4958	.....	.0758	.....	14,778.83
April	208,167,145	2,979,969.07	14.32	14.4958	.....	.1758	.....	36,595.78
May	216,191,839	3,028,792.86	14.01	14.4958	.....	.4858	.....	105,025.99
June	215,738,167	2,980,538.36	13.82	14.4958	.....	.6758	.....	145,795.85
July	229,853,628	3,168,090.09	13.78	14.4958	.....	.7158	.....	164,529.23
August	203,970,972	2,810,834.86	13.78	14.4958	.....	.7158	.....	146,002.42
September	186,083,943	2,570,251.08	13.81	14.4958	.....	.6858	.....	127,616.37
October	174,502,285	2,303,014.40	13.20	14.4958	.....	1.2958	.....	225,120.06
November	164,166,336	1,955,080.59	11.91	14.4958	.....	2.5858	.....	424,501.31
December	174,837,521	2,045,377.52	11.70	14.4958	.....	2.7958	.....	488,810.74
Total	2,359,353,246	\$32,077,999.44	\$13.5961	.....	.....	.....	.....	\$2,118,678.95
Total for three years	6,742,341,640	\$102,930,308.73	\$15.27	.....	.....	.....	*\$3,857,218.46	†2,118,678.95

\* Net Profit. † Net Loss.

## EXHIBIT NO. 3

## SUMMARY OF 23 SAWMILL COMPANIES.

(Used to Arrive at Total Cost of Production.)  
 (Nine Are Imperfect as to Distribution of Cost.)

Expense and Labor Cost, for Year 1912.

Departments	Feet Handled per Year	Expense for Year	Cost per M for Expense	Labor for Year	Cost per M for Labor
Logging Accounts.....	1,557,171,342	\$ 6,367,177.88	\$4.0889		
1. Stumpage .....					
2. Logging .....	1,547,236,078	3,820,457.82	2.4692	\$2,627,726.83	\$1.6919
Team Loading, Steam					
Loading, Hauling, Carts..					
Hauling, Contract,					
Hauling, Skidding, Log					
Cutting, Spur Expense,					
Log Freight, Log Un-					
loading .....					
General Logging .....					
Log Scale—Total.....	18.707% Overrun				
Reduced, Board Measure					
Total .....	1,848,469,066	\$10,187,635.70	\$5.5114	\$2,627,726.83	\$1.4216
Mill Accounts .....	1,848,469,066	\$ 1,228,903.61	\$ .6648	\$1,615,134.28	\$ .8738
3. Saw Mill, Saw Mill					
Expense, Pond Expense..					
4. Yarding—Green As-					
sorter, Stacking for					
Kilns, Dry Kilns, Cool-					
ing Shed, Dry Shed,					
Yard Dock, Assorting					
Table, Yard, Yard					
Stacking .....	1,758,962,884	805,606.40	.4580	1,300,549.66	.7394
5. Planing Mill, Plan-					
ing Mill Expense.....	1,580,854,507	610,864.57	.3864	815,625.08	.5159
6. Shipping, Shipping					
Expense, Yard Planer					
and Timber .....	1,418,763,498	303,263.43	.2137	459,468.75	.3238
7. Depreciation .....	1,671,167,469	1,053,546.88	.6304		
8. Taxes .....	1,542,524,039	365,678.15	.2371		
9. Insurance—Fire, Lia-					
bility and Cyclone .....	1,645,044,832	244,970.76	.1489	3,316.65	.0020
10. Office Expense, Mill					
Office .....	1,622,083,891	382,993.47	.2361	266,659.65	.1644
Total .....		\$ 8.4868		\$ 4.0409	
11. Lumber Sales Ex-					
pense .....	1,715,092,075	978,656.90	.5706	64,419.55	.0376
12. Interest and Ex-					
change .....	1,303,239,918	902,318.70	.6924		
13. General Expense.....	1,588,215,828	862,608.89	.5431	168,409.97	.1060
Total .....		\$10.2929		\$ 4.1845	
Number of Men Employed					
Total Days of Operation					
Average, 3 years, 14.6999					\$14.4774

## EXHIBIT NO. 3—Continued

## SUMMARY OF 23 SAWMILL COMPANIES

(Used to Arrive at Total Cost of Production.)  
 (Nine Are Imperfect as to Distribution of Cost.)

Expense and Labor Cost, for Year 1913

Departments	Feet Handled per Year	Expense for Year	Cost per M for Expense	Labor for Year	Cost per M for Labor
Logging Accounts.....	1,809,389,254	\$ 7,820,725.29	\$4.3223		
1. Stumpage .....					
2. Logging .....	1,805,253,848	4,515,927.36		\$3,267,165.84	
Team Loading, Steam Loading, Hauling, Carts..					
Hauling, Contract, Hauling, Skidding, Log Cutting, Spur Expense, Log Freight, Log Un- loading .....					
General Logging .....					
Log Scale—Total.....	18.446%	Overrun			
Reduced, Board Measure					
Total .....	2,143,142,073	\$12,336,652.65	\$5.7563	\$3,267,165.84	\$1.5244
Mill Accounts .....	2,143,142,073	\$ 1,559,518.47	\$ .7277	\$2,022,595.84	\$ .9437
3. Saw Mill, Saw Mill Expense, Pond Expense..					
4. Yarding—Green As- sorter, Stacking for Kilns, Dry Kilns, Cool- ing Shed, Dry Shed, Yard Dock, Assorting Table, Yard, Yard Stacking .....	2,042,691,466	869,519.66	.4257	1,499,525.11	.7341
5. Planing Mill, Plan- ing Mill Expense.....	1,877,349,192	740,663.86	.3945	960,940.48	.5119
6. Shipping, Shipping Expense, Yard Planer and Timber .....	1,658,603,539	328,754.50	.1982	587,306.04	.3541
7. Depreciation .....	1,944,818,724	1,266,190.71	.6511		
8. Taxes .....	1,783,210,952	490,696.65	.2752	1,952.24	.0011
9. Insurance—Fire, Lia- bility and Cyclone .....	1,883,115,261	360,639.37	.1915	3,475.90	.0018
10. Office Expense, Mill Office .....	1,888,255,470	501,500.96	.2656	327,273.73	.1733
Total .....			\$8.8858		\$4.2444
11. Lumber Sales Ex- pense .....	1,990,381,233	\$1,149,382.47	\$ .5775	\$ 81,591.07	\$ .0410
12. Interest and Ex- change .....	1,568,182,750	1,118,744.36	.7134		
13. General Expense.....	1,804,745,275	953,984.80	.5286	213,024.13	.1180
Total .....			\$10.7053		\$4.4034
Number of Men Employed					
Total Days of Operation					
Average, 3 years, 14.6999					\$15.1087



## EXHIBIT NO. 3—Continued

**SUMMARY OF 23 SAWMILL COMPANIES**

(Used to Arrive at Total Cost of Production.)  
 (Nine Are Imperfect as to Distribution of Cost.)

Expense and Labor Cost, for Year 1914

Departments	Feet Handled per Year	Expense for Year	Cost per M for Expense	Labor for Year	Cost per M for Labor
Logging Accounts.....	1,856,624,277	\$ 8,557,942.66	\$4.6094		
1. Stumpage .....					
2. Logging .....	1,862,241,746	4,511,037.57		\$3,280,759.09	
Team Loading, Steam Loading, Hauling, Carts..					
Hauling, Contract, Hauling, Skidding, Log Cutting, Spur Expense, Log Freight, Log Un- loading .....					
General Logging .....					
Log Scale—Total.....	22.505% Overrun				
Reduced, Board Measure					
Total .....	2,274,450,549	\$13,068,980.23	\$5.7460	\$3,280,759.09	\$1.4424
Mill Accounts .....	2,274,450.549	\$ 1,422,101.59	\$ .6252	\$1,977,970.34	\$ .8696
3. Saw Mill, Saw Mill Expense, Pond Expense..					
4. Yarding—Green As- sorter, Stacking for Kilns, Dry Kilns, Cool- ing Shed, Dry Shed, Yard Dock, Assorting Table, Yard, Yard Stacking .....	2,168,440,664	811,745.87	.3743	1,513,681.20	.6980
5. Planing Mill, Plan- ing Mill Expense.....	1,983,706,414	698,341.84	.3520	976,035.09	.4920
6. Shipping, Shipping Expense, Yard Planer and Timber .....	1,800,550,979	314,426.49	.1724	601,627.64	.3341
7. Depreciation .....	2,045,809,284	1,279,824.48	.6256		
8. Taxes .....	1,925,708,226	612,971.56	.3183	1,183.95	.0006
9. Insurance—Fire, Lia- bility and Cyclone .....	2,014,066,104	359,552.23	.1785	4,334.15	.0022
10. Office Expense, Mill Office .....	2,015,217,454	504,100.77	.2501	336,436.31	.1669
Total .....			\$8.6446		\$4.0058
11. Lumber Sales Ex- pense .....	2,115,445,330	\$ 1,216,006.68	\$ .5748	\$ 81,985.16	\$ .0387
12. Interest and Ex- change .....	1,608,142,524	1,045,016.83	.6498		
13. General Expense.....	1,945,408,551	916,262.51	.4710	216,044.42	.1111
Total .....			\$10.3402		\$4.1556
Number of Men Employed					
Total Days of Operation					
Average, 3 years, 14.6999					\$14.4958



EXHIBIT NO. 4

DISTRIBUTION OF COST AND REALIZATION.

Per 1,000 Feet Lumber.

Stumpage (Log Scale).....	1912	
	1,557,171,342	\$ 4,0889
	Overrun 18.707%	
Stumpage (Board Measure).....	1,848,469,066	@ \$ 3.6034
Material and Supplies.....		3.2357
Labor .....		5.7649
General Expense (Includes		
Labor Selling).....		1.8734
Cost .....		\$14.4774
Profit .....		\$ 1.1602
Realization .....		\$15.6376
		\$26,761,026.06
		2,144,593.81
		\$28,905,619.87

DISTRIBUTION OF COST AND REALIZATION.

Per 1,000 Feet Lumber.

Stumpage (Log Scale).....	1913	
	1,809,389,354	\$ 4.3223
	Overrun 18.446%	
Stumpage (Board Measure).....	2,143,142,073	@ \$ 3.8376
Material and Supplies.....		3.5203
Labor .....		5.9211
General Expense (Includes		
Labor Selling).....		1.8297
Cost .....		\$15.1087
Profit .....		\$ 1.5459
Realization .....		\$16.6546
		\$8,224,522.02
		7,544,503.04
		12,689,758.53
		3,921,307.05
		\$32,380,090.64
		\$ 3,313,083.33
		\$35,693,173.97

DISTRIBUTION OF COST AND REALIZATION.

Per 1,000 Feet Lumber.

Stumpage (Log Scale).....	1914	
	1,856,624,277	\$ 4.6094
	Overrun 22.505%	
Stumpage (Board Measure).....	2,274,450,549	@ \$ 4.0052
Material and Supplies.....		3.3224
Labor .....		5.4519
General Expense (Includes		
Labor Selling).....		1.7163
Cost .....		\$14.4958
Loss .....		.8997
Realization .....		\$13.5961
		\$9,109,629.34
		7,556,634.50
		12,400,076.95
		3,903,639.48
		\$32,969,980.27
		\$ 2,045,323.16
		\$30,924,657.11

## EXHIBIT NO. 5

COMPILED FROM 283 MILLS FROM JULY, 1912, TO MAY, 1914, AND FROM  
255 MILLS FROM JUNE TO DECEMBER, 1914.

(REDUCED TO ONE MILL BASIS.)

## AVERAGE PRODUCTION PER PLANT.

## STOCKS

	Actual Condition. Feet.	Under Pro- posed Plan. Feet.	Actual Con- dition of Production. Feet.	Under Proposed Plan of Produc- tion; In Not Producing More Than Public Demand. Feet.
1912				
July .....	1,666,454	1,666,454	3,757,140	3,757,140
August .....	1,692,233	1,692,333	3,712,676	3,712,676
September .....	1,563,134	1,563,134	3,605,132	3,605,132
October .....	1,739,781	1,439,843	3,740,000	3,739,800
November .....	1,618,969	1,618,969	4,029,084	3,729,146
December .....	1,311,992	760,955	4,249,128	3,388,153
1913				
January .....	1,626,777	1,626,777	4,404,646	3,553,661
February .....	1,557,005	1,557,005	4,211,961	3,360,983
March .....	1,741,337	1,741,337	4,214,183	3,363,208
April .....	1,759,528	1,759,528	4,224,872	3,372,897
May .....	1,893,831	1,654,810	4,335,869	3,245,873
June .....	1,680,337	1,680,337	4,478,657	3,388,661
July .....	1,678,662	1,332,522	4,651,840	3,215,704
August .....	1,656,667	1,656,667	4,737,159	3,301,023
September .....	1,608,795	1,608,795	4,704,706	3,268,570
October .....	1,567,812	1,419,956	4,773,371	3,189,079
November .....	1,562,532	1,562,532	4,723,710	3,139,418
December .....	1,403,192	1,403,192	4,726,416	3,142,124
1914				
January .....	1,680,532	1,680,532	4,850,473	3,266,181
February .....	1,608,290	1,608,290	4,734,624	3,150,532
March .....	1,779,282	1,724,480	4,759,343	3,120,249
April .....	1,816,629	1,816,629	4,818,007	3,178,913
May .....	1,775,996	1,775,996	4,832,971	3,193,877
June .....	1,867,626	1,867,626	5,202,958	3,563,864
July .....	1,902,773	1,902,773	5,163,334	3,524,240
August .....	1,782,004	1,782,004	5,003,099	3,364,004
September .....	1,840,972	1,689,644	5,037,099	3,246,677
October .....	1,710,245	1,710,245	5,221,460	3,431,038
November .....	1,583,887	1,292,768	5,221,460	3,139,919
December .....	.....	.....	5,455,996	3,374,455

best, not only in the yellow pine industry but in the entire industry of lumber.

When we consider that the Census reports disclose a production of yellow pine in the year of 1909 of 16,277,185,000 feet, by 17,359 sawmills, and that the average annual production per mill in 1909 was only 931,000 feet, we must recognize that if these companies who have a large production and whose equipment for logging, manufacture and distribution is of the latest and most efficient designs are really suffering, as their results of operation will indicate that they are from present conditions, how much worse must this situation be among those who are not so fortunately prepared to meet the situation?

Consequently, the figures which we present must of necessity be recognized as being much better than the average condition of the entire industry.

I wish, also, to direct your attention to the fact that yellow pine lumber is the dominant factor in the lumber industry, producing as it does practically 40% of the entire production of lumber of the United States, and that the other branches of the industry must, by reason of the competition of yellow pine, necessarily suffer in the same proportion that yellow pine does.

The figures which these companies have given us have been tabulated on their net sales of lumber, exclusive of freight, as per *Exhibit No. 1*, and their cost of operation, as per *Exhibit No. 3*. An analysis of these figures shows the following:

During the three years of 1912, 1913 and 1914, the total shipments were 6,742,341,640 feet, this being an average, per annum, of 2,237,270,820 feet.

Assuming that the average life of all of these plants is at least ten years—which I think is well within the fact, as the life of some of these properties ranges from 15 to 40 years—it would represent a total amount of stumpage of 22,372,708,200 feet.

The figures disclose that these mills charged their stumpage to their cost of operations during the past three years at an average charge of \$4.35; that their depreciation (board measure) charge amounted to \$0.6357 per thousand feet. These mills show that their overrun, or the amount of lumber scale in excess of log scale, was 19.97% (or approximately 20%), and consequently their log scale charge for depreciation would have been \$0.7638 per thousand, making their total charge for depreciation of plant, equipment and raw



material account \$5.11 per thousand. This, based on the amount of stumpage on a ten years' basis, as aforesaid, amounts to an investment of \$114,324,538.90, exclusive of stocks of lumber, merchandise, logs and accounts receivable.

A 6% per annum return on this investment should net \$6,859,-471.93 per annum. In three years, if these companies had earned 6% on their investment, their net earnings would have been \$20,579,415.80, whereas their actual net earnings for the period were \$3,839,596.80. *See Exhibit No. 1.*

The average value of stumpage in the tree in the South is \$5.50 per thousand, and sales have been consummated within the past two weeks on a basis of values as high as \$6.00 per thousand, and it is impossible to purchase any timber at any lesser price, and this without any development, unless one should be able to profit by some other person's misfortune.

From recent experiences in the development of property, i. e., the construction of camps, mills and railroads, the average cost of development is approximately \$1.25 per thousand feet, but assuming, for argument, that it is \$1.00 per thousand feet, this would mean a total cost of \$6.50 per thousand to replace this property at the present market value of stumpage and the present cost of development.

On this basis, the amount of stumpage which these plants have represents an investment, on a replacement value, exclusive of stocks of lumber, logs on hand, merchandise in company stores, and accounts receivable (which in themselves aggregate a vast figure)—of \$145,422,603.30.

A 6% annual return upon the actual replacement value would be \$8,725,368.19. For the three years included, should this property have earned 6% on the basis of its replacement value, the earnings would have been \$26,176,104.54, whereas, as per statement just made, on the actual charge for stumpage and depreciation, figuring on the basis of their actual operations for the entire period, their earnings have only been \$3,839,596.80, and if the stumpage had been charged to the cost of operations at its actual replacement value at \$5.50 per thousand and there had been no increase in the depreciation charge to cover the cost of replacement of plant account, instead of \$4.35, the actual average charge which was made, this profit would have been reduced \$5,981,670.97, which would have reflected the condition that actually existed of an actual loss of \$2,142,074.11, and this during a period including one year which was the best year's earnings that

has ever been known in the yellow pine lumber business, viz., the last half of 1912 and the first half of 1913. *Note Exhibit No. 3.*

Now, if we had had such an agreement as we are asking you to permit us to enter into, so as not to produce lumber in excess of the public's requirements, under the plans submitted, and the price of lumber has been the maximum price secured in February, 1913, of \$18.21, for the entire period, the profits of these companies, based on their actual average stumpage and depreciation charges as shown in their reports, would only have been, for the entire period, \$27,913,-294.34, or only an average annual return of 6.4% on the investment.

If, however, the actual cost of replacement of stumpage at \$5.50 per thousand had been charged to their operation, and the actual depreciation, based on the cost of development of \$1.00 per thousand had been used, instead of the results as reported, the earnings on such a basis would only have been \$17,302,982.09, or an average of only 3.96% per annum.

Using the actual earnings as reported of \$3,839,596.80 for the period, the per cent of earnings based on the investment arrived at by using the figures of stumpage and depreciation used by the various companies in arriving at their costs of production, and not including their inventories and accounts receivable, shows an earning of 1.12% per annum on their investment.

### Results of Operations from January 1st, 1912, to December 31st, 1914

Since the first of January, 1912, to the 31st of December, 1914, the situation is that during that entire period the production of yellow pine lumber exceeded the consumption by 3.21% of the actual production of the three years.

This resulted in an accumulation of 9.36% of one year's average annual production during this said period, or an accumulation of stocks equivalent to 45.2% of the stocks on hand at the beginning of the period, and the price of lumber fell from the maximum price of \$18.21 in February, 1913, to the minimum price of \$11.70 in December, 1914, or a reduction in values of 35 $\frac{3}{4}$ %. See Exhibit Nos. 5 and 6, which graphically disclosed the effect of the accumulation of surplus stocks on market values of lumber in this period.

### Reason for Difficulty to Secure Financial Aid

It is generally understood in financial circles that the lumber business is in a desperate condition, and our present understanding is that



there are many lumber bond issues today which are either in default or give promise of being in default. The natural result is that lumber credits are being closely watched by the bankers and lumbermen are having difficulty in securing the proper financial aid to carry on their business, and while they are perfectly solvent and have ample security for any requirements they may need, the very nature of their most valuable asset, that of their timber, being slow in liquidation, renders them undesirable to the banker, who above all things desires to keep his lines liquid in order that he may realize upon them in times of stress or necessity.

### The Effect Upon Labor

(You may readily understand that as the price of lumber has reached the point where it is less than the cost of production has brought about a situation where economies in operation have had to be created. One of the first things is the reduction in the numbers of those employed. The next step is a reduction in the wage of those employed, and these reductions range from 10% to 25%, although the compilations in Exhibits Nos. 7 and 8 will not disclose this to be the fact, for the reason that these reductions did not occur until the latter part of the year 1914, many of them not occurring until after November. In some instances, the wage scale has been continued but the working time has been increased 10% with no increase in the wage, in order to reduce the cost, while in other instances the same wage scale is continued but the working time has been decreased. In all instances the employes have been injured.) I think it is fair to assume, from my general knowledge of the situation and from statements which have been made to me covering the territories of Arkansas, Missouri, Louisiana, Texas, Alabama, Georgia, Florida, and the Carolinas by people who are operating in those states that the average wage has at least been reduced by reason of this condition 10%.

The Cost of Labor in the manufacture of lumber, as disclosed by Exhibit Nos. 7 and 8, for the year 1913 was \$5.92 per thousand feet, and the saving made by a reduction of 10% in the wage scale is 59.2c per thousand feet. If the average wage of all the mills is the same as those of my own company, and that is, \$2.00 per day, the effect upon the working man is that he receives 20c per day less than he would otherwise secure for this labor, which, on the basis

of 285 days of operation per annum, means that each laboring man has or is contributing \$57.00 per annum out of his rightful earnings to this unfortunate competitive condition.

In addition to the reductions that have taken place in the wage scales, the decrease disclosed from these various companies' reports, amounts to a reduction, in dollars and cents, of materials and supplies used per thousand feet in 1914 as compared with 1913 of 19 $\frac{3}{4}$ c per thousand. The item of labor enters into manufacture of these articles consumed, and to at least an appreciable extent (roughly, 50%) do these figures indicate that labor has been that much further affected.

According to the Bureau of Census reports for the year 1909, there were 695,000 men engaged in the industry of lumber and timber production. How many of these are directly engaged in the manufacture of lumber, and how many in the other branches of the industry, it is impossible for us to state, but the yellow pine industry, itself, according to the figures reported for the year 1909, in the said Census reports, produced in that year 16,277,185,000 feet, and on the basis of 59.2c per thousand labor has contributed directly, by reason of this unfortunate competitive condition brought about by large under-consumption due to the reduction in railroad demand, to the reduction in foreign exports brought about by the war, and to the natural decrease brought about by the financial conditions immediately following the war, \$9,636,094.52 per year. To this I believe it would be perfectly proper to assume the 50% decrease in materials and supplies used, amounting to 9.89c per thousand, should be added, or an additional amount of \$1,609,813.60, making the total direct and indirect contribution on the part of labor \$11,245,907.11 per annum.

### Effect Upon the Manufacturer

The effect on the manufacturer, using the same basis of figures as production of 1909 just quoted, and the reduction in values from February 1st, 1913, to December 31st, 1914, of \$6.51 per thousand, would indicate a reduction on the annual production, provided the situation does not change, of \$105,964,474.45.

### The Effect on the Public as Regards Conservation—See Exhibits Nos. 9 to 16, Inclusive

In addition to the loss to the working man and the loss of the capital employed in the industry by reason of these present condi-

tions, another condition in the situation presents itself, which is equally injurious to the public good, and that is the question of waste in our forest products. Illustrating what I mean in this matter, in order to produce anywhere near profitably, in addition to making the reductions necessary in wages and other economies, which are eventually absorbed by competition, to move our surplus stocks, it is necessary to bring only that portion of the tree which is harvested in the form of logs to the mill for manufacture which will return the cost of transportation, manufacture and distribution.

Naturally, with the falling of prices, a large portion of the tree eventually reaches the point where it not only cannot be profitably manufactured but cannot be manufactured at a price that will reproduce itself in cost of production. I believe it is safe to assume, and the photographs attached hereto and marked as Exhibits Nos. 10 to 16, inclusive, would clearly indicate, that at the present time there is at least 30% if not more, of the tree which is left in the woods to rot and waste by reason of this condition.

Applying this situation to the yellow pine industry and using the 1909 figures of production, which were 16,277,186,000 feet, on the basis of a harvest of 130% logs, there will be harvested in the year 1915, providing the ratio of production is the same as that of 1909, 21,160,340,500 feet of yellow pine logs, and from this source there is being wasted 4,884,155,600 feet per annum, which, on the basis of the present value of standing yellow pine timber of \$5.50 per thousand, will create a waste in this year, in dollars and cents, from this source, alone, of \$26,857,355.25. In addition to this the further result is, in a period of  $3\frac{1}{3}$  years, of the total harvest of yellow pine timber, practically one year's consumption has been wasted.

When we realize that the forest resources of the United States are limited in their area, and that we have an increasing and growing population, which is absorbing year after year more lumber, in its final analysis we are bringing the time closer every day that this condition maintains to where the prices of lumber must be excessively high and will not be within the reach of a large portion of the public.

This condition has been maintaining since 1880. The source of supply of lumber has been gradually changing, with the added cost of transportation, and bring the cost of consumption continually higher, which situation would not have been maintained to the present degree had there been exercised a reasonable method of conserva-



tion. No effective conservation method has ever been put in operation, by reason of the fact that under a strict interpretation or application of the letter of the Sherman or other trust acts it is impractical, and because of the very nature of our divisional form of Government, it has been impossible to suggest or secure uniform legislation, and consequently the necessity of some form of agreement, which by reason of its very nature would probably have been construed to be in restraint of trade.

In addition to this condition, another cause contributing to the over-production in yellow pine lumber is the present method of producing Naval Stores, making it imperative that the timber be utilized soon after the turpentine operations are ended, otherwise this timber would be attacked by worms and rot and fires, which fires, not only destroy the matured timber which has been turpentine, but also destroys the young growth. If the territory producing turpentine for Naval Stores were deriving any benefit from the operation, we would not be disposed to interject this into the consideration of lumber, but our understanding at the present time is that it is difficult for the Naval Stores people to realize cost, and, therefore, there should be some method by which Naval Stores operators may regulate their production so as not to enforce a production of lumber from this timber during a time that such conditions exist.

### **The Total Effect on the Manufacturer, Labor, and the Public**

Using the figures which I have shown before of reduction in values of \$105,964,474.35, the reduction by reason of loss of stumpage of \$26,857,355.25, would indicate that the yellow pine manufacturers had contributed to this situation a loss in stumpage and earnings of \$132,821,829.60 per annum, while labor has contributed \$11,245,907.11 per annum additional, making a total direct loss of \$144,067,736.71 per year.

This, generally, is the condition in the lumber business. We are anxious that you should ask us all the questions which you desire to ask us in the matter, and we are here for the purpose of frankly and honestly stating to you the facts as we know them and as we believe them to be.

We desire to suggest to you as a means of curing this situation the thought we have in mind, and that is, not to restrain trade, not to fix prices, but to produce, by agreement, only as much lumber



as the market will assimilate, under and by the supervision of your Commission.

### Plan

On such a basis, if we could apply the principle to the industry, where a previous month might show that 2% of the production of that month had been accumulated in the form of stocks, and assuming that our current month's operation would disclose practically the same situation as had obtained in the previous month, we would reduce, by agreement, our operation in hours, for the current month, 4%, so as to absorb the accumulation of the previous month and produce only as much lumber as might be necessary to take care of the current demand, changing the reduction of hours of operation, from month to month, as the condition of the previous month might indicate, from compilations of supply and demand made monthly.

We believe that this would not be in violation of the law, as it would not restrain trade or lessen competition, since the trade would be able to secure all the timber that it could use, while we believe that the effect would be to keep the market stable, and enable the public to forecast with more certainty market conditions.

### Application and Effect

At this point I wish to call your attention to Exhibits 17, 18 and 19.

Exhibit No. 17 discloses the way the stocks would have gone had that principle been applied in the last three years. Not knowing what the price of lumber would be we assumed as a matter of argument that the price of lumber would remain stationary in that condition at the point at which it was in February, 1913, instead of going down by reason of the accumulation of surplus stocks.

**The Chairman:** Would that assumption be justified?

**Mr. Keith:** Absolutely. I do not believe, unless you have a demand in excess of your ability to supply the lumber, your price will advance. But if you are producing one-half of one per cent more lumber than the market will assimilate, it is going to have the effect of reducing your values. It is not the one-half of one per cent which you accumulate in any given month, but it is the process of cumulative accumulations which occur during a period of

several months, and it brings it up to the point where you must move your product, because if you do not, it is rotting in the stacks and is deteriorating in value. This is especially true of yellow pine.

Applying this same principle against the operations of yellow pine lumber for the last three years, assuming that this had been done instead of that which was done, the result would have been a production of lumber 3.85% less than was actually produced, or, in other words, there would have been .64 of 1% less lumber manufactured than the market would have actually assimilated during that period. However, as the average stocks on hand on the beginning of this period were 19.85% of the average annual production, the result would have been that we would still have in the neighborhood of between 17% and 18% of our annual production in the hands of the manufacturer, plus the amount of stocks on hand in the yards of the retailers, from which stocks the trade could have been readily cared for, and in no instance would the trade have been restricted. On the other hand, prices would have been level, there would have been some profit in the business, labor would have been kept more steadily employed and at better rates of pay, the entire harvest of logs would have been utilized, and the public demand would be able to be fully supplied from present operations at lower rates of transportation with the benefits of real competition for a longer period of time, all of which is the highest form of conservation.

At this point I wish to mention the fact in the memory of every man in the room, when white pine lumber was manufactured on the Mississippi River at St. Louis, Hannibal, Rock Island and other points. At that time the logs were floated down the river and they were manufactured there and transported to the interior at low rates of freight. As the cutting of the pine in the North gradually vanished, the supply of lumber was brought from the South. Now we are in the same process today in the South that the white pine was in the North some ten years ago. We are over the hill in the point of production. From now on our production must gradually grow less, and as it does grow less, then from the Northwest Coast must come the supply for the future. And as that supply comes, you will readily appreciate that the cost will increase, as compared with the price of \$1 a thousand to float logs down the river as against the proposition of paying 50 cents per 100 pounds today from the Pacific Coast to the people in Hannibal.

What I mean by this particular point, the quicker this timber is cut out, the higher the cost of timber is going to be, and the higher the cost

of lumber is going to be, and the sooner they are going to have to go to other fields of supply in order to take care of their consumption.

### **Length of Time Necessary to Reduce Present Stocks to Normal**

If you should grant us such relief as we ask for and the same results for future years would apply as figured out as the probable effect for the three years referred to, it would take, at the rate of 64/100 of 1% production under consumption, at the present rate of consumption, at least fifteen years to reduce present stocks to normal.

At this point I want to say that if the cost should become below the basis which you believe to be normal, it can be stopped so that the situation of producing less than the market can assimilate can be taken care of.

**The Chairman:** Of course you appreciate that our power is limited under the act.

**Mr. Keith:** I appreciate that, and on that point I want to introduce to you a brief drawn on that subject by our counsel. I expect you have had lots of briefs and are probably having all kinds of advice on that subject. But even if you have not the authority now, the condition of our business certainly discloses or should disclose the necessity of your having such authority, and even if you cannot grant us relief today, it certainly can lay the groundwork of seeing that Congress does recognize the situation, to pass on and give you such authority.

Further in connection with this situation, would state that according to census reports of 1909, there were 17,359 yellow pine manufacturers engaged in the production of yellow pine. Even should you agree that our contention would not be in restraint of trade but lawful, it would be practically impossible to secure anything like any large percentage of this number of manufacturers to an agreement of this or any other character. It is barely possible that 50% of the output of yellow pine lumber might reach such an agreement, but the 50% of the total manufacture of the output of yellow pine lumber would not in any manner approximate such a thing as 50% of the total number of those engaged in the business. Many of these mills are very small, but all seek a market through some avenue, either locally or through jobbers, or sell their product direct through their own sales agencies. I doubt very much if we could in the fifteen years above mentioned equalize our stocks by producing even 1% per annum less than the market assimilated. You can readily see that there could be no possibility of lessening competition.



### General

At this time I wish to file with you statement by our counsel, in the form of a brief, touching the legality of the method and powers of the Commission. (See Page 34.)

I wish to further state that the effect of retrenchments for the purposes of economy in the operation of an industry reacts upon all other dependent industries, and that the effect upon the consumer and the laborer in our own industry, and upon dependent industries, reacts again and again upon the other producers and their dependents and all are affected.

We believe that some good, sound method may be either suggested to your honorable body, or that you may be able to suggest to us, as a means out of our unfortunate and difficult situation can only react in the interests of the public good and general prosperity.

Now if there are any questions you would like to ask in connection with the business which I can answer, I would be glad to do so.

**The Chairman:** You will be here to morrow?

**Mr. Keith:** Yes.

**The Chairman:** We have a few questions.

**Mr. Keith:** We have some other witnesses too, that we have brought here to fortify this. I did not know how you gentlemen wanted this presented. I have all the figures that went to make up this compilation, but I would like to keep them to make an analysis for our association; but if you wish them, I can have them presented by having an affidavit made by each company who presented them, and can file them in support of these general exhibits and compilations.

**The Chairman:** Of these twenty-three different companies?

**Mr. Keith:** There are twenty-three different companies used in this compilation. There were twenty-five who furnished the general information. Of the twenty-three companies I do not know just how many these represent. One I have in mind represents nine, another sixteen, and we represent four, and so on down the line. But all of these companies who furnished these figures which I have presented to you here are among the very best manufacturers in the business. Any lumberman in the room will tell you what I am telling you to be true, it makes no difference whether he is from the North, the Southeast, the Southwest or from the Northwest. And we would be very glad to file all the details, with affidavits attached, or bring the witnesses before you



at some future time and put them on the stand and have them give the information under oath.

**The Chairman:** We will take that up later.

**Commissioner Hurley:** I would like to ask you in connection with your taxes in the respective states; is that a serious problem?

**Mr. Keith:** Yes, your Honor, it is quite a serious problem. For instance, the taxes have been gradually growing. Take, for instance, in the State of Louisiana, sugar lands in Louisiana are taxed at ten dollars an acre, and pine lands in Louisiana are taxed twenty-five dollars an acre, and they both have the same mill tax. The pine land produces a crop every one hundred and fifty years and the sugar land produces a crop every year. There has been a growing tendency to increase the assessment on land in all of the states.

I personally have felt that the only proper tax for lumber or any other natural resource, such as coal or lumber, ought to be on an output basis. There is an objection to that on account of those who own vast amounts of timber and coal lands which are not in operation, but I believe if it were to be on output tax, it would have a tendency to conserve the holdings of both characters of raw material and be of real good so far as the public is concerned, although the burden on an individual operator might be a little greater than it might otherwise be, especially with a man with a timber supply of short life.

**The Chairman:** How long has this disparity between sugar and pine land obtained?

**Mr. Keith:** Practically since 1903.

**The Chairman:** And prior to that time?

**Mr. Keith:** Prior to that time timber land was worth practically nothing in the South and taxation was very low, but the taxes are gradually increasing. I believe I would be safe in making the statement that the present area of timber is paying more tax than the original timber paid before any of it was exhausted. You take in our section in Louisiana; in 1911 it showed at that time that 50.7 per cent of the total timber in the State of Louisiana had been exhausted, and we have been for four years longer cutting, and we believe we have only about 38 billion feet in the State of Louisiana, or had at that time.

**Commissioner Hurley:** How many acres of timber land is there development on, roughly?

**Mr. Keith:** I could not answer the question. Mr. Smith of the Forest Department of the government estimated something like 3 trillion feet of timber.

**Commissioner Hurley:** Has that land decreased in value in the last three years?

**Mr. Keith:** No, none of it has decreased. There is a difference between timber and lumber. For instance, I will illustrate that.

If you have got two figures, one representing supply and the other demand, one continually increasing and the other continually decreasing, that which is decreasing being that which is in the amount, and that which is increasing being that which is in consumption, the natural result is the enhanced value of the article produced.

For instance, timber is not reproducing itself, there is no reforestation going on. Every day we cut timber we are reducing the amount of available timber supply of the United States.

Now, on the other hand, according to the figures of 1909, the consumption per capita of the United States at that time was 500 feet board measure. Our population is increasing at a ratio of about 1,500,000 people a year, figuring on the basis between 1900 and 1909, consequently we are having an accumulative increase in demand under normal conditions of three-quarters of a billion feet of lumber annually; in ten years that is an increase of 7,500,000,000 feet of lumber, and all the time taking care of the demand which is already there. With the increasing and accumulative demand, our timber supply is gradually and rapidly being reduced. And as the timber supply is reduced, the few available tracts that are left for development in the hands of timber owners are growing proportionately higher in value. For instance, we cannot buy timber today in Calcasieu or Vernon Parishes, Louisiana, for less than six dollars. I would hate to buy any at six dollars and operate it under this market; we would go broke on it. But if we want to buy timber to increase the life of our property, so as to conserve the value of our investment, we would have to pay six dollars. Timber values are on the increase in value, but lumber is not increasing.

**Commissioner Hurley:** Under this plan of selling the products and working together, is it your thought that that will keep the price as it is at present or increase the price?

**Mr. Keith:** It would not increase the price. It would have this effect: Supposing that our demand this year had been 175 per cent of our production, naturally prices would have enhanced under that condition. By applying this principle, it would keep your price stationary. Every time it made a gain it would stay there, but it would not of itself enhance the value; it would simply keep it from declining.

**Commissioner Hurley:** You figure that your plan will introduce a lot of economies in the way of selling your product?

**Mr. Keith:** We want to enter into that. For instance, in our association we are entering the proposition of cost accounting.

There, I think, is one of the greatest troubles we have. I will venture to say the yellow pine industry today has no conception of what it costs to manufacture lumber. These figures—I will be frank with you—startled me. We have always considered our cost of production, taking our raw material, labor employed and materials used and taxes, insurance and matters of that kind, and figured simply the manufacturing cost, as a matter of accounting. They have never considered the cost of distribution and they have never considered the general expense or interest and exchange as being a part of the cost of manufacture, and we have been selling against a fictitious cost price. I believe if the gentlemen in our business were thoroughly educated to their business and knew that \$14.50, as an illustration, was the cost, they would not be selling lumber for \$11.70. But they do not know it, and a great many of them, I believe, get their cost figures but once a year and do not know what they are doing until the end of the year. Some of them get them once a month. So far as our company is concerned, we have our labor costs every day and know what it costs to manufacture every day.

**The Chairman:** Mr. Keith, I would like to ask, have you any available figures upon the extent of the growth in substitutes employed in industries in place of timber, as affecting southern pine?

**Mr. Keith:** No, I have not, but you take from 1899 to 1909, the increase in cement, I think, went from 10 million to 80 million barrels, and yet during that same period the consumption of lumber per capita went from 460 to 532 feet. And I have been told in the last week that the United States Steel Corporation make the statement that the consumption of nails has fallen off one million kegs a year. Now, the only place we can use nails is in lumber, and that probably gives us some idea of the story.

**The Chairman:** Mr. Keith, in this exhibit are the names of the twenty-three sawmill companies furnished?

**Mr. Keith:** No, but I would be glad to furnish that list, and will be glad to furnish the original figures with affidavits attached.

**The Chairman:** We will take that up later, but we would like the list anyway.



SUGGESTIONS AS TO LEGAL PHASE OF MATTER PRESENTED AND THE POWERS OF THE COMMISSION  
IN REFERENCE THERETO

L. C. BOYLE, KANSAS CITY, MO.

In offering these suggestions, I make no pretense of intimate familiarity with the facts and conclusions presented by Mr. Keith on behalf of the Southern Pine Association. I adopt these facts and conclusions as a premise and will attempt a brief discussion of the Federal Anti-Trust Law as applied thereto.

The Clayton Bill was passed as a supplement to the Sherman Anti-Trust Law. There is nothing, however, in the substantive law features of the Clayton Bill that touches the matter here to be considered.

This Commission was created, however, to not only enforce and advise as to certain of the provisions of the Clayton Bill, but also to examine and give its aid touching industrial conditions which would naturally come within the purview of the Sherman Law proper.

It will be but necessary for us to consider the first two sections of the Sherman Law. They are as follows:

"Section 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or both said punishments, in the discretion of the court.

Section 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several states, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Although the suggestion at this time may seem more academic than useful, I call attention to the industrial condition of the times that prompted Congress to enact this law. In the Standard Oil case, Chief Justice White, speaking for the court, and directing attention to the debates in Congress, says:



“They conclusively show, however, that the main cause which led to the legislation was the thought that it was required by the economic condition of the times, that is, the vast accumulation of wealth in the hands of corporations and individuals, the enormous development of corporate organization, the facility for combination which such organizations afforded, the fact that the facility was being used; and that combinations known as trusts were being multiplied, and the widespread impression that their power had been and would be exerted to oppress individuals and injure the public generally.”

The current history of the period prior to 1890 demonstrates that it was the growing tendency of capital to combine in the form of trusts that brought about this legislation. Congress sought to preserve free and untrammelled competitive conditions. I shall undertake to demonstrate that the Southern Pine Association has no desire to violate either the letter or the spirit of this Congressional purpose.

It is to be noted that under the strict letter of Section 1, *every contract, combination* in form of trust or otherwise, was inhibited. The Standard Oil case was decided in May, 1911. The period between July, 1890 (when the Sherman Law was placed on the statute books), and 1911 was one of grave concern to the business interests of the country. Those business organizations that were going concerns prior to 1890 went forward at their peril. Men of affairs hesitated to initiate great enterprises in face of the unyielding letter of this law.

Those vital and essential principles that had, as a result of the wisdom of centuries, been engrafted on the common law, were, according to the cold letter of the Act, entirely cut off.

Very instructive is the reading of the literature of this ten-year period as the same relates to the statute.

The Supreme Court in the Standard Oil case read the “Rule of Reason” into the statute, thereby reviving the principles of the common law as the same were applied to trade restraint. As to this thought the Chief Justice says:

“It was intended that the standard of reason which had been applied at the common law and in this country in dealing with subject of the character embraced by the statute, was intended to be the measure used for the purpose of determining whether in a given case a particular act had or had not brought about the wrong against which the statute provided.”

This pronouncement of the Supreme Court had the temporary effect of stimulating industrial activity.

The conscience of the people, however, had been outraged by many evidences of the overreaching and oppressive practices indulged in by greedy organizations of capital. It became the fixed thought of a great majority that the people were being exploited for the benefit of selfish interests. A period of agitation set in. A determined purpose, on the part of the public, was made manifest that unconscionable methods in the nation's industrial development should be eliminated. Wholesale prosecutions by state and federal authorities were instituted.

This widespread agitation has indeed brought wholesome results, but in eradicating an evil, legitimate and vital business interests have been jeopardized. Under the activity of ambitious prosecutors the nebulous margin of the "Rule of Reason" became a greater menace to honest enterprise than the strict letter of the statute had been in the first instance. When the fervor of prejudice began in a measure to abate and dispassionate public opinion realized the handicap that the substantial and legitimate business interests of the nation were under as a result of legal uncertainty, there developed a very general expression of opinion that some method should be adopted in aid of the Anti-Trust laws, whereby honest business might go forward without the ever present menace of prosecutions and expensive and long drawn out litigation.

As a result of this public expression, emanating as it did from the ranks of labor as well as from the office of the employer, all political parties in our last national election pledged, in their platforms, relief from this intolerable condition, a condition that has not alone crippled industry itself, but as a necessary sequence placed a heavy burden on labor. Finally when Congress assembled, the crystallized expression of the people's judgment was made manifest by the President in his message. Among other statements we find the following:

"The business of the country awaits also, has long awaited and has suffered because it could not obtain, further and more explicit legislative definition of the policy and meaning of the existing anti-trust law. Nothing hampers business like uncertainty. Nothing daunts or discourages it like the necessity to take chances, to run the risk of falling under the condemnation of the law before it can make sure just what the law is. \* \* \*

And the business men of the country desire something more than that the menace of legal process in these matters be made explicit and intelligible. They desire the advice, the definite guidance and

information which can be supplied by an administrative body, an interstate trade commission.

The opinion of the country would instantly approve of such a commission."

In obedience to the general demand the Trade Commission was created. Undoubtedly it was the common understanding that the Commission as created was vested with power to aid and counsel business in matters of the very character suggested by the data presented.

Before addressing my thought to the powers of the Commission touching the vital needs of the Yellow Pine Industry, let us briefly consider the appeal for relief as made by the representatives of these manufacturing lumbermen. It is made evident, and this beyond the cavil of debate, that a great and needed industry is being crippled and plundered as the result of over-production.

The evils that follow in the wake of this unnatural condition are manifold. To call attention to just a few:

1. The investor suffers and in the end the weak must go to the wall. Investigate the demand for timber bonds.

(The grim irony of this situation is found in the fact that this very result is brought about through the menacing threat of a law that was designed to protect the weak from the oppression of the strong.)

2. Labor suffers.

It is fundamental that if an industry operates at a loss, labor must carry its part of the burden.

Examine the data as to labor.

3. Forest waste.

Here indeed is a great and vital question. The conservation of a rapidly diminishing natural resource is a subject of grave concern. In no other civilized country in the world would such waste be permitted, much less be made unavoidable, through fear of criminal prosecutions, if the logical means be adopted to stay the ravage.

Overproduction, coupled with uncontrolled competition makes forest waste unavoidable. The data illuminating this phase of the subject is readily secured, not alone from private manufacturers, but from the Government itself. The United States is an extensive timber owner and suffers from the very conditions now afflicting private operators.

The fable of the serpent stinging itself is here well illustrated.



Surely it cannot be urged with reason that all of these baleful results could have been within the purpose of Congress when it placed upon the statute books of the nation the Sherman Law.

And yet it is because of the fear of this very law that conditions exist as here outlined, and more fully made evident in the data presented.

Inviting the fullest investigation and frankly submitting themselves for all and every inquiry, these business men ask this Commission for aid and guidance.

They ask the right to agree among themselves, under a plan to be fully presented to this Commission, to curtail their output, so as to avoid accumulation of surplus stock.

There is no purpose to hamper, or in the slightest degree interfere with, competitive conditions; no purpose to attempt to fix prices; no thought of dividing territory; no pooling arrangement, nor trust agreement; no scheme involving monopoly or tendency thereto. In brief, no suggestion of doing anything that could be construed as restraining the free flow of commerce. The volume of output always to measure up to the needs of consumption.

The sole factor to be eliminated is the destructive feature of overproduction. A result, which, in its ultimate analysis, will be of value to the public and at the same time give to the producer a living margin of profit—for, with competition free, prices must and will range with the demand.

After a somewhat careful study of the rulings of our courts on the Sherman Law, I am convinced that an agreement, having for its object the sole result here indicated, does not impinge on the Anti-Trust statute.

The query may suggest itself that if the plan is not violative of law, why not go forward and operate under it?

The trouble is the lawyer so advising has not the last guess. Another lawyer, who has been elevated to the bench, may hold a different opinion. It was to meet this very condition that the Commission was created.

The situation is one of urgent need. Common sense, the public good, the principles of justice all unite in urging the relief here suggested.

As matters now stand, only the choice portions of the log are harvested. Trustworthy data demonstrates that thirty per cent of the cut is left to rot in the woods. There is an estimated loss of forty-five



million dollars annually. This is a loss for which there is no replacement.

For the sake of argument, permit an assumption:

If the tillable land area of the United States was circumscribed (as is available timber supply) and as a result of trade conditions only the choice portions of crops could be marketed, the residue going as waste, and owing to this unhealthy condition the soil was being annually robbed of its fructifying qualities, and this to such an extent as to ultimately threaten public welfare, is it conceivable that our Anti-Trust law would be so interpreted as to make unlawful an agreement among farmers to honestly relieve such a condition?

The dilemma in which the manufacturing lumbermen find themselves is much more drastic than the supposititious condition adverted to. The farmer can rehabilitate his soil, but the tree is gone forever.

Surely there is a way out of this untoward situation. I am convinced that the Commission will give such aid as it can.

To the end that the Commission may find its task less difficult, I take occasion to make reference to illuminating rulings of courts in construing the statute under review. These references are made as an aid to the conclusion that the relief here urged does not fall under the ban of the law.

*First.* I call attention to the well established principle that those agreements are recognized as valid which have for their sole object the furtherance of trade conditions, and the legitimate needs of the industry. In this connection, note the fact that the motive actuating the parties is to be considered.

*United States v. Reading Co.*, 226 U. S., 324.

“Whether a particular act, contract or agreement is a reasonable and normal effort in furtherance of trade and commerce may, in doubtful cases, turn upon the intent to be inferred from the extent of the control thereby secured over the commerce affected, as well as by the method which was used.”

*Anderson v. United States*, 171 U. S., 604.

“The same is true as to certain kinds of agreements entered into between persons engaged in the same business for the direct and bona fide purpose of properly and reasonably regulating the conduct of their business among themselves and with the public. If an agreement of that nature, while apt and proper for the purpose thus intended, should possibly, though only indirectly and unintentionally, affect interstate trade or commerce, in that event, we think the agreement

would be good. Otherwise, there is scarcely an agreement among men which has interstate or foreign commerce for its subject that may not remotely be said to, in some obscure way, affect that commerce, and to be therefore void. \* \* \*

In order to come within the provisions of the statute, the direct effect of an agreement or combination must be in restraint of that trade or commerce which is among the several states or with foreign nations. Where the subject matter of the agreement does not directly relate to and act upon and embrace interstate commerce, and where the undisputed facts clearly show that the purpose of the agreement was not to regulate, obstruct or restrain that commerce, but that it was entered into with the object of properly and fairly regulating the transaction of the business in which the parties to the agreement were engaged, such agreement will be upheld as not within the statute, where it can be seen that the character and terms of the agreement are well calculated to attain the purpose for which it was formed, and where the effect of its formation and enforcement upon interstate trade or commerce is, in any event, but indirect and incidental, and not its purpose or object."

It has been held in a large number of cases that transactions which are related to interstate trade and commerce indirectly and affect such commerce only in a remote way will not operate to bring an agreement or association or combination within the interdict of the Act.

*U. S. v. Freight Assn.*, 166 U. S. 290; 41 L. Ed., 1007.

*U. S. v. Joint Traffic Assn.*, 171 U. S., 505; 43 L. Ed., 259.

*Anderson v. U. S.*, 171 U. S., 604; 43 L. Ed., 300.

*U. S. v. American Tobacco Co.*, 221 U. S., 113.

"The Sherman Act applies when the direct result or necessary tendency of the prohibited thing, contract, combination, etc., is material obstruction, hindrance or restraint of interstate or foreign commerce."

*U. S. v. U. P. R. R. Co.*, 188 Fed. Rep., 109.

"To bring any transaction within the condemnation of the first section of the anti-trust law, it must be a contract, combination, or conspiracy in restraint of interstate or international commerce. This restraint must be substantial in character and the direct and immediate effect of the transaction complained of."

*U. S. v. Du Pont de Nemours & Co.*, 188 Fed. Rep., 151.

"To what extent the anti-trust act condemns combinations that restrain full and free competition in interstate trade is a question that

has been much debated. For a dozen years, at least, it has been settled that it does not condemn combinations which only indirectly, remotely, or incidentally restrain interstate trade."

*U. S. v. Trans. Mo. etc., Ass'n*, 58 Fed., 58.

"The test of the validity of contracts or combinations in restraint of trade is not the existence of restriction upon competition imposed thereby, but the reasonableness of that restriction under the facts and circumstances of each particular case. Public welfare is first considered, and, if the contract or combination appears to have been made for a just and honest purpose and the restraint upon trade is not specially injurious to the public and is not greater than the protection of the legitimate interests of the party in whose favor the restraint is imposed reasonably requires, the contract or combination is not illegal.

\* \* \* \* \*

The test of the legality of a combination under the Anti-Trust Act is its necessary effect upon competition in commerce among the states or with foreign nations.

If its necessary effect is only incidentally or indirectly to restrict that competition, while its chief result is to foster the trade and increase the business of those who make and operate it, it does not violate that law."

To quote further would extend the matter too far. It can be fairly stated, however, that the thought expressed in the excerpts given runs through all the cases where the facts of the case suggested discussion of the point.

In the light of this fixed and indeed essential interpretation of the law can it be urged in frankness that the suggested plan for relief here urged comes within the condemnation of the statute?—a plan so vital to the needs of the industry, and one whereby the public is indeed the principal beneficiary.

It is true the curtailment of output, to the limited extent suggested, would have the natural tendency of steadying prices, but this result in no way *restrains* commerce, nor in any view of the situation can it be argued that such a plan works for monopoly.

We should not be led into error in considering the suggested relief. It is not the object to curtail output for the purpose of fixing prices, and thereby dictating to the consumer. On the contrary, competition is left absolutely free and commerce is thereby unimpeded.

Touching this question of price as the same may be incident to agreements, etc., the Patten case is instructive:



*U. S. v. Patten*, 187 Fed., 671.

“Manifestly the result which the conspirators aimed at was to compel speculators short of cotton to settle at abnormally high prices; a process sometimes called ‘squeezing the shorts.’ Manifestly, also, the raising of prices in other cotton markets than the New York Cotton Exchange was in itself no part of the scheme of the conspirators. Still, prices of cotton are so correlated that it may be said that the direct result of the acts of the conspirators was to be the raising of the price of cotton throughout the country. But it does not follow, in my opinion, that because exceedingly high prices of cotton were to be brought about, interstate commerce was to be directly affected and obstructed. On the contrary, it seems clear that any effect upon interstate commerce in the way of curtailing shipments, or otherwise, would have been merely incidental to the high prices.

The broad contention of the government is that any combination which interferes with the right of the manufacturer to purchase a commodity moving in interstate commerce at prices determined by the competitive law of normal market conditions directly restrains interstate commerce and violates the federal anti-trust statute. I cannot assent to this proposition. There is no direct relation between prices and interstate commerce. The volume of shipments does not necessarily depend upon the lowness of prices. Innumerable other factors enter into the problem. The continuation of normal market conditions might or might not curtail interstate commerce. But if it curtailed by upset market conditions that which produced such result would still only indirectly affect such commerce.”

*Second.* The prime object of the law is to keep the channels of commerce free from restraints on *competitive* conditions. This indeed is the very touchstone of the law. Where *competition* is absolutely free, there can be no restraint of trade, nor can monopoly exist.

*Standard Oil Co. v. U. S.*, 221 U. S., 56.

“Without going into detail and but very briefly surveying the whole field, it may be with accuracy said that the dread of enhancement of prices and of other wrongs which it was thought would flow from the undue limitation on competitive conditions caused by contracts or other acts of individuals or corporations, led, as a matter of public policy, to the prohibition or treating as illegal all contracts or acts which were unreasonably restrictive of competitive conditions, either from the nature or character of the contract or act or where the surrounding circumstances were such as to justify the conclusion that they had not been entered into or performed with the legitimate purpose of reasonably forwarding personal interest and developing trade, but on the contrary were of such a character as to give rise to the inference or presumption that they had been entered

into or done with the intent to do wrong to the general public and to limit the right of individuals, thus restraining the free flow of commerce.”

*Phillips v. Iola Portland Cement Co.*, 125 Fed., 593.

“The test of the violation of the Anti-Trust Act, by a contract or combination, is its effect upon competition in commerce among the States. If its necessary effect is to stifle or to directly and substantially restrict interstate commerce, it falls under the ban of the law, but if it promotes, or only incidentally or indirectly restricts competition, while its main purpose and chief effect are to promote the business and increase the trade of the makers, it is not denounced or avoided by that law.”

*Field v. Barber Asphalt Paving Co.*, 194 U. S., 618.

“The Sherman Anti-Trust Act is not intended to affect contracts which have only a remote and indirect bearing on commerce between the States.”

*U. S. v. Reading Co.*, 183 Fed. 459.

“One of the purposes of the Anti-Trust Act, in making illegal every contract, combination, or conspiracy in restraint of trade or commerce among the several States, is to maintain interstate commerce on the basis of free competition, and any contract, combination, or conspiracy, the purpose or direct effect of which is to restrict such free competition by way of transportation, or otherwise, is in restraint of interstate commerce and unlawful.”

These excerpts sufficiently illustrate the thought that *competitive* conditions are the essential conditions the statute seeks to preserve.

As urged, the suggestions involved in the data presented by the Committee of the Southern Pine Association and the plan presented, in nowise trench on this trade principle.

No ruling in any decided case runs counter to the relief here urged. The common need of these business men runs parallel with the public weal. Will this Commission come to their relief? I am quite sure it will if it has the power.

If the commission, created as it has been, to be an aid to business, finds conditions in the Yellow Pine industry as outlined, can it sanction plans for relief?

If the Commission should hold that its sole power, touching matters here at issue, is to investigate, and can authorize no relief, regardless of its findings, then indeed must these men go forth the victims of the nebulous uncertainties of the law.

It is idle to suggest that they seek relief through their own initiative, and this without the protecting assurance of the Commission, for indeed the "Rule of Reason," as to be found by some judge or jury, has more terrors for them than the unjust burdens they now carry.

However, it is not possible that this result can follow.

At an early date, subsequent to the passage of the Sherman Law, discussion arose suggesting the need of a Bureau to act as an aid to the Department of Justice in the enforcement of the Act. As a result of this agitation the Bureau of Corporations was established. Its powers were defined as follows:

"The said Commissioner shall have power and authority to make, under the direction and control of the Secretary of Commerce and Labor, diligent investigation into the organization, conduct and management of the business of any corporation, joint stock company or corporate combination engaged in commerce among the several states and with foreign nations, excepting common carriers subject to 'An Act to regulate commerce' approved February 4th, eighteen hundred and eighty-seven, and to gather such information and data as will enable the President of the United States to make recommendations to Congress for legislation for the regulation of such commerce, and to report such data to the President, from time to time, as he shall require; and the information so obtained or as much thereof as the President may direct shall be made public. \* \* \*

It shall be the province and duty of said bureau, under the direction of the Secretary of Commerce and Labor, to gather, compile, publish and supply useful information concerning corporations doing business within the limits of the United States as shall engage in interstate commerce or in commerce between the United States and any foreign country, including corporations engaged in insurance, and to attend to such other duties as may be hereafter provided by law."

The activity of the Bureau of Corporations was largely inquisitorial, and although its work was an aid to the Department of Justice the Bureau was of no help to business. On the contrary, its activity tended to disturb business rather than be an aid thereto.

Growing out of this condition the idea developed that a body should be created to further the needs of business interests along the same lines and of the same general character as the Interstate Commerce Commission. Experience had demonstrated the value of such a body to the vexed and complicated problems involved in freight rates and other railroad problems.

The practices of the Commerce Commission, under the power



granted it by Congress, are instructive as throwing light on Section 6 of the Trade Commission Law.

Section 12 of the Interstate Commerce Commission Act provides as follows:

“That the commission hereby created shall have authority to inquire into the management of the business of all common carriers subject to the provisions of this act, and shall keep itself informed as to the manner in which the same is conducted, and shall have the right to obtain from such common carriers full and complete information necessary to enable the commission to perform the duties and carry out the objects for which it was created.”

Under this authority, the Commerce Commission has gone forward in its administrative capacity, and in an affirmative manner adjusted disputes, laid down rules of guidance and freely and openly discussed the legality of practices affecting the railroads and shippers. The wholesome and far-reaching results of this wise interpretation of its powers are now universally conceded.

The creation of a Trade Commission was largely influenced by the favorable results the country had experienced through the work and activities of the Commerce Commission.

In 1911 the Newlands bill was introduced in the Senate. The bill provided for the creation of a commission of the character of the commission created by the present act.

In reporting the Newlands bill and recommending it for passage the Senate committee in part stated as follows:

“Suppose that ten out of twenty manufacturing establishments heretofore in competition with each other desire to consolidate into one enterprise. There ought to be a way in which the men in such a venture could submit their plan to the government and an inquiry made as to the legality of such a transaction, and if the government was of the opinion that competitive conditions would not be substantially impaired, there should be an approval and insofar as the lawfulness of the exact thing proposed is concerned, there should be a decision and if favorable to the proposal, there should be an end to that particular controversy for all time. Such results as these can be obtained in no other way than through a Commission, though *administrative* in its character, would, in some instances, exercise *quasi* judicial functions.” (Sen. Com. Rep., p. 1.)

The thought contained in this statement expresses the country's understanding of the powers of the Trade Commission as finally created.

Section 5 of the Trade Commission Act makes provision for the prevention of unfair methods of competition. The power vested is stated as follows:

The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, and common carriers subject to the Acts to regulate commerce, from using unfair methods of competition in commerce."

The balance of the section treats of the procedure to enforce the general power quoted.

Section 5 is broad and far-reaching. It gives power, *quasi* judicial as well as administrative. Power to *investigate* and *advise*.

Section 6 commences as follows:

"That the commission shall *also have power*"—

Then follows in separate paragraphs a number of subdivisions, each defining distinct expressions of power as lodged in the commission. We are interested more especially in subdivision (a), which is as follows:

"(a) To gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers subject to the Act to regulate commerce, and its relation to other corporations and to individuals, associations and partnerships."

My contention is that the commission's power to advise as to conditions in the Yellow Pine industry is found in this quoted paragraph.

This position is based:

*First.* On the evident purpose and history of the legislation.

*Second.* In the light of the succeeding paragraphs of Section six—and my thought as to this is as follows:

Subdivision (b) makes definite and complete provision for filing reports with the commission.

Subdivision (c) provides for the commission, *on its own initiative*, or at request of the Attorney General, to investigate and report its findings and *recommendations*.

(Note power here given to advise with the Department of Justice as to course of conduct to be adopted touching the law's enforcement.)

Subdivision (d)—Commission to act on direction of President or Congress on alleged violations of law.

(In making such report it must be conceded that the Commission would be justified in making *recommendations* touching the particular needs or condition of the industry thus investigated.)

Subdivision (e)—On application of Attorney General to make recommendations for readjustment of the business of corporations alleged to be violating the Anti-Trust Acts in order that such corporations *may thereafter* operate in harmony with law.

(Here is significant and definite power given by the plain letter of the Act. This paragraph was evidently designed to protect those conditions, where, through inadvertence, mistake or necessity, the law was technically violated. The purpose being to aid, not destroy business. If the plan suggested by the Yellow Pine interests was now in operation, and upon investigation it was found to be violative of law, under this paragraph, the Commission would have authority to advise and aid the industry in readjustment. The thought, of course, being to save the industry from unnecessary burdens of litigation and economic disturbance.

The exact converse of this proposition is here presented. If the Commission should find that the suggested plan was vital, not only to the life of the industry, but also due to public need—could it be argued it did not have like power to aid the industry in readjustment?)

Subdivision (f) provides for publication of the Commission's *decisions*.

(The only *affirmative decision* the Commission could make would be such as would be an aid to business, not alone in advising when law was violated, but to guide it in essential matters so as to avoid breaking law.)

When the assembled purpose of these subdivisions of Section 6 is carefully analyzed, the conclusion is inevitable that the power here urged is given.

It will be noted that Section 5 treats of competitive conditions in trade and gives the commission the general power to advise and suggest to business in reference thereto. Now, Section 6 treats of industry in the broadest sense. It is given power to investigate, of *its own initiative*, among other things, the *conduct* and *practices* of business organizations.

Assume, for illustration, that the commission, acting under this subdivision (a) of Section six, found that an association of business men was indulging in practices, which, in the judgment of the Commission, came within the prohibitions of Section one of the Sherman Law, could it be argued that under such circumstances, the commission would



be powerless to advise with these men, to the end that doubtful conditions or practices be eliminated? Such power was the very thought back of the legislation. If the conclusion be reached that the commission would have the right to advise with business men under such circumstances, a conclusion the logic of which is unavoidable, then it must follow that business men have the right to ask the commission's advice in advance, as an aid to trade conditions along lines suggested by the data submitted. To reason otherwise, would make subdivision (a) a negative, useless provision. The power to investigate without right to advise is worse than useless—it disturbs but does not relieve. The Bureau of Corporations had that power.

To give subdivision (a) any intelligible purpose, that interpretation must be given that will permit the paragraph to serve a useful end. It certainly cannot be earnestly urged that the affirmative powers of the commission are to be confined to certain incidents of commerce and the broader need, to wit, industrial conditions, be left uncared for: To so interpret the commission's powers will not only be a sore disappointment to the perplexed and confused business men of the country, but, as made evident by the facts submitted, will work an irredeemable hardship on the whole people.

The broad purpose of the act was to create a commission that might serve the industrial and economic needs of the nation in the same helpful way as the Commerce Commission has served transportation, and as is being clearly made manifest, the Federal Reserve Board will serve the banking interests.

I cannot better conclude this argument than by quoting the concluding paragraphs of a brief recently submitted to the Commission by S. M. Stroock and Wade H. Ellis:

“Taking together the recent acts, the reports of the Congressional committees, public utterances of administration officials, and early attempt at Trade Commission legislation, the conclusion is plain that the Trade Commission is intended to be an administrative board. The uncertainties attendant upon the enforcement of the Sherman Anti-Trust Law with its resultant risks of prosecutions and generally restrictive operation have led to the establishment of this Commission for the purpose of encouraging men engaged in business to come before it and to freely consult members of the Board and to ask their advice in proper cases. The full extent of this advisory power is not certain and is not precisely measured in the law. But the whole contemporaneous history of the passage of the Trade Commission Act establishes beyond question that its primary object was to afford to business

men the opportunity to know in advance whether or not some contemplated business venture or some trade practice is going to be approved or disapproved. It was the intention of the framers of this law that men should no longer jeopardize their personal liberty and incur the risk of disgrace in order to determine whether or not some particular investment of money is lawful or unlawful.

The declaration of the President of the United States that the business men

‘Desire the advice, the definite guidance and information which can be supplied by an administrative body, an Interstate Trade Commission,’

can mean nothing else than that the legislative policy sought by the President to be enacted into law contemplated the fullest opportunity for consultation and conference with the Trade Commission as to prospective business arrangements.

The following propositions seem clear:

*First.* The history of this legislation, both preceding its enactment and contemporaneous with it, shows that Congress, the President and the country desired and expected that the Federal Trade Commission would co-operate with business men in adjusting large affairs of interstate commerce to the law, and would so consult and advise with them as to avoid the endless lawsuits which theretofore had been the result of anti-trust statutes.

*Second.* A strict construction of the Clayton and Covington laws, as finally enacted, may not in specific terms *require* the Federal Trade Commission to make investigations and orders for the guidance of business men in advance of a complaint; but

(a) Whatever the *requirement* of the law may be, it is clear that there is nothing in the language of the statutes *inconsistent* with the exercise of the power here suggested.

(b) It is clear beyond all doubt that the Federal Commission may, in the exercise of its discretion, under the authority to investigate and make rules and regulations, consider proposed plans for the adjustment of relations between corporations engaged in interstate commerce and make administrative rulings based on the facts ascertained, which will be useful for the guidance of such corporations and all others whose situation may be similar. This is in conformity with the powers now exercised by the Interstate Commerce Commission where no greater or different ground of authority appears; it is consistent with the attitude of the Federal Reserve Board; and more than all else it responds fairly to the purpose of the statute, the expectations of the country, and a good, wholesome public policy.”

A great and vital industry needs help. The business men engaged in it come to this Commission for guidance. To deny them this help

will indeed defeat the basic thought of the nation back of the act creating the Commission.

**Mr. Downman:** Next, with your permission, I will introduce Mr. C. I. Millard, of Norfolk, Virginia, representing the North Carolina Pine Association.

### STATEMENT OF MR. C. I. MILLARD

**Mr. Millard:** The conditions in North Carolina, Virginia and South Carolina are practically in the same situation that has been illustrated by Mr. Keith in his admirable presentation. I could not add anything to it. I only will say that I endorse everything he said about the lumber industry.

There are some conditions in the forests of the East Coast that are a little different than in any other section, because we are really working on regrown timber. Commencing at the James River, going south, that whole territory was practically a longleaf pine belt at one time. It has all been destroyed by the turpentine or naval stores industry, and the second growth pine that grew up, called the old-leaf pine, Rosemary pine, short-leaf pine or North Carolina pine, took the place of the long-leaf, brought about from various causes. Therefore, the industry in the North Carolina belt is based upon the utilization of timber which has been reproduced, not by design or intent as much as by the force of circumstances brought on by the war and the disaster that followed it, and because of the fact that the pine grows very rapidly in that country. The fires have been the greatest destructive force. There has been more timber burned there, I presume, than has been cut.

Therefore, we are dealing with a situation that would follow in a close relation, at least, should the present manufacturers of lumber be enabled to reproduce their lumber by growth, which would be a highly desirable thing and a great economical gain to the country. However, it would be impossible to carry on any system of reforestation or conservative method of lumbering which would result in the second growth or the return of the stumpage value to the land under the present conditions of the industry. We are selling lumber below the cost of production, which is an individual loss to the industry or the members of the industry. But to sell it below



the cost of reproduction is a great economic crime to the public, because there must come a time, as every one must recognize, when the supply of timber in this country will be at the vanishing point, and unless it can be reproduced by means of capitalists who can afford to do so, the end will be disastrous.

The lumber business and the coal industry and the producers of phosphate rock and perhaps some other great natural resources can be considered together. They cannot be reproduced unless the present value of material will yield not only a return on the investment and the cost of the manufacture, but also provide some equitable means for the conservation of the resources. It might be a far-fetched simile to say that in the lumber business the great improvement is not to be considered as a development compared to the Panama Canal, but the situation seems to be reversed. The Panama Canal or any other great public benefit is provided for by means of the sale of bonds that the future generations are supposed to pay, and our situation is entirely reversed. There is no possible chance for the future generations to use any lumber that can be reproduced at the present time unless the public of the present time would reverse the bond issue principle and pay for it now.

Now the situation in North Carolina is complicated by competition from all sources. Lumber is the only great commodity that is sold by measure and carried by weight, and that brings about the need and necessity of a delivered price, so that a delivered price at any point can be readily ascertained, and thus the active means of competition comes with any merchant. He does not know what the freight rate is from any point, he can always get a delivered price instantly, so that the forces of competition are actively and constantly at work, so that we meet not only the competition of every lumberman but we meet the competition of the government, especially of Canada and now of the United States, inasmuch as they supply timber which has only to be paid for when cut, so that the United States government and the Canadian government are direct competitors of every manufacturer.

**The Chairman:** In what way?

**Mr. Millard:** They are selling their timber under contract to be paid for as cut, and if it burns, the government bears the loss. In other words, a manufacturer who has one of those tracts does not have to provide the source of supply or raw material for a long period of years. And that is one peculiar condition of the lumber-

man, he must have a supply of raw material for an extended period, and he must keep all his machinery and mills and so forth in the highest state of efficiency until the last log is sawed, and then it is junked.

We meet not only the competition of the various lumbermen, but also meet all sorts of substitutes. And that is particularly so in North Carolina pine, inasmuch as a great percentage of that lumber is used in the manufacture of boxes and shipping cases, and the box makers have dominated that market for forty years, and their competition has been very keenly felt, inasmuch as they now meet the demand of people for lighter shipping cases with fiber box and fiber package material, and all goods are shipped in cartons now. That has made a very serious inroad into the demand for lumber.

The percentage of good lumber that is produced out of the original growth or the earlier growth timber was very much higher than it is at present, and that has brought about a situation, which, strange as it may seem, we are getting today less value per thousand for the average mill cut than was realized in the 80's.

The costs of production have increased very much, the principal item being the cost of extending the railroads into the timber. The more railroads we build, the more are to be kept up and maintenance charges are higher. The cost of hauling a long distance is very much greater. That has brought about an increased cost of production and a reduction in price. These extra costs have also tended to unscientific methods of merchandising and manufacturing. We ought to be able to utilize a great deal of the raw product that we do not. We have to leave a great deal in the woods, and we can do nothing with the by-products. Theoretically there could be paper made out of the pulp, and theoretically timber that is not good enough for saw mill purposes should be used for firewood and used for the manufacture of fiber to make cases, and in the long-leaf belt the trunks and limbs should be used in the manufacture of naval stores by what may be called the synthetic process. But the facts are that all of those ancillary processes require a great deal of study and a great deal of capital, and under present conditions it is impossible to obtain it. The value received from the manufacture of lumber does not enable the manufacturer to undertake any other business or the production of any other by-products.

**The Chairman:** Is that the reason why it is not done, the fact that they are not making any money on their timber?

**Mr. Millard:** That is the difficulty, not obtaining capital, and also just at the present time the naval stores industry is in a desperate condition. No one could attempt to compete with gum spirits at present by a synthetic process.

**The Chairman:** What is the condition of the industry in the arts, with reference to those by-products, have they been developed to any extent?

**Mr. Millard:** Yes, some of the higher grades of the rosin have been used in the arts as the basis of paint and varnish, and almost every manufacturer in some portion of his process uses some of the naval stores. The paint manufacturer is the greatest, and soap manufacturers use an enormous quantity of rosin too.

Of the mills that are listed in this particular belt, the census figures are the best that can be furnished. There are something like 4,000 mills, of which the great majority are small plants. We never have been able to obtain any statistical information from them. There are supposed to be about 46 billion feet of timber in that belt. The annual production for the past five years is something in excess of 3 billions. The excess in cut over shipments has been running for the last four years about thirty to thirty-five million a year. The average cost of logging and manufacturing and marketing it is impossible to obtain in any such accurate figures as Mr. Keith has presented, but the statement which has been prepared for me shows \$12.80, but it unfortunately does not say whether that includes depreciation or interest or whether it is on lumber measure or log scale. The average mill price, exclusive of stumpage, will probably run about \$15 to \$15.50 for that time. I would like the privilege of reviewing these figures and submitting such data as can be secured, and will submit it to you at Washington.

**The Chairman:** We would be very glad to have you do that in any such form as you desire to place it.

**Mr. Millard:** Have you any questions, gentlemen?

**Commissioner Hurley:** What competition do you meet with from Canada or Nova Scotia?

**Mr. Millard:** Spruce and white pine and low grade hardwood.

**Commissioner Hurley:** Is it very keen competition?

**Mr. Millard:** Right now the competition is largely in New England. Spruce lumber is constantly marketed in New York City, but there is a great deal of hemlock coming now. The box makers still buy large quantities of Canadian white pine. Many factories con-



tinue to specify white pine for boxes, because they think it does not give an odor, and is lighter.

**Commissioner Hurley:** Do you export lumber?

**Mr. Millard:** Before the War we did; about all the good lumber that was manufactured was exported. There is absolutely no market there now, however.

I cannot see any solution, gentlemen, for this problem in our district at present, except to place some reasonable restriction upon the production, and to have it put upon some fairly reasonable and co-operative sales agency basis.

**Commissioner Parry:** And, of course, the sales basis would apply for domestic as well as foreign trade?

**Mr. Millard:** Yes, sir, especially in the foreign trade.

**Commissioner Parry:** Do you favor such a plan as that suggested by Mr. Keith?

**Mr. Millard:** Yes, very strongly. I did not know he was going to suggest it.

**Commissioner Parry:** For your district?

**Mr. Millard:** Yes, sir. If we could regulate the production of the lumber that can be marketed, it would be a long step towards the solution of the problem. But, it is not only that we are forced to market it at any price we can get, but because of the further reason that we cannot hold it. A great number of saw mills down there are right on the water and they have no lumber yards, and their lumber must be shipped out on vessels as soon as it is made. Furthermore, our lumber will not stand in the air long. We have a very large percentage of sap lumber. It is impossible to get anything like a fair salvage, if there is a stain or a check or any other weather effect, anything produced by the weather, because that reduces the grade to a very low value. The difference, for instance, between good boards and poor boards is about \$20.00 a thousand.

**The Chairman:** Mr. Keith, I wanted to ask you what were your principal foreign markets for Southern pine?

**Mr. Keith:** We do not export anything directly ourselves. Southern pine reaches its markets principally on the Continent, and in England and South America, Buenos Ayres, and down that way.

**The Chairman:** What are the methods employed for the marketing of Southern pine in South America?

**Mr. Keith:** Speaking for ourselves, we generally sell our lumber through Price & Pierce of London, what little we sell.

**The Chairman:** Who are Price & Pierce?

**Mr. Keith:** They are large lumber factors in London.

**The Chairman:** Lumber factors?

**Mr. Keith:** Yes, sir, in London, England. We sell to them and they move it to South American markets. They have their own agencies in South America.

**The Chairman:** What is the connection as to the European markets?

**Mr. Keith:** Our business before the War was off just about 50 per cent; and then when the War was declared, it went off the other 50 per cent. We have had practically no export business since the 24th day of last July, when the War first started.

**The Chairman:** What effect do you think the closing of the War is going to have, so far as increased consumption is concerned?

**Mr. Keith:** I think we are going to have so much business that we won't know what to do with it, and I think further, that for the foreign markets, it is going to be low grade lumber.

**Commissioner Hurley:** What is the per cent of foreign business that is done, as compared with the total?

**Mr. Keith:** About 12 per cent.

**Commissioner Hurley:** What is your competition, Norway lumber?

**Mr. Keith:** On our low grade lumber it is Norway. I am not as familiar with that export market as I would like to be, gentlemen, because I have not paid any attention to it except in a very small way.

**Commissioner Hurley:** Is there any one here representing the Southern pine industry who is familiar with the export trade?

**Mr. Keith:** I think John Henry Kirby is pretty well posted on it.

**Commissioner Hurley:** I would like to hear from him later on.

**Commissioner Parry:** Mr. Jones can arrange for that.

**Mr. Keith:** Yes.

**The Chairman:** Yes, any one who is familiar with the methods employed in marketing American lumber in foreign countries.

**Mr. Downman:** Mr. Chairman, we made a strenuous endeavor to have the lumbermen here generally, outside of this committee that was chosen to present the concrete facts, but most of them are still scared.

**The Chairman:** I think you have done very well, Mr. Downman; you have done very well, indeed, and it has been very helpful.

**Mr. Downman:** Do you wish to proceed further this morning, Mr. Chairman?

**The Chairman:** No, we will resume at 2:30. We will adjourn until then.

(Whereupon, at 12:45 o'clock, P. M., a recess was taken until 2:30 o'clock, P. M.)



## SECOND SESSION

MONDAY AFTERNOON, JULY 19, 1915

**The Chairman:** We will now resume, gentlemen. Any one desiring stenographic minutes of the proceedings here may obtain them by applying to one of the stenographers, at the rate fixed by the Commission.

**Mr. Downman:** Mr. Chairman and gentlemen of the Commission: Mr. Toole of Missoula, Montana, who was to be here as the representative of the Western Pine Manufacturers Association, is quite seriously ill and could not get here. It was particularly important, to my mind, that he should have been here to have answered one of the questions that was asked of Mr. Keith this morning, and that is to what extent the government holdings of timber, which are principally in the west, have suffered on account of the conditions that prevail in the lumber industry today, and as he is operating immediately in the section where the government owns timber all around it, I think probably he could have answered definitely that question. But I think that the Commission can develop that testimony here from the gentlemen who represent the Forestry Department. They are in close touch with it, and I understand Mr. Greeley and Mr. Butler are here, and one other gentleman that you mentioned, I believe, this morning. They are thoroughly familiar with it and can give you the information that you request.

I sincerely hope that the Commission, one and all of you will try and bring out, if the gentlemen who represent the lumber industry are lame, blind and halt, what is in your minds. Their idea is to be frank, full and explicit with you, but I do not think some of them know just how to express themselves. So worm it out of them, and if necessary, we will send down and get a corkscrew for you to use.

The National Lumber Manufacturers Association has been organized for some twelve or thirteen years. Up to, I think it was, 1910, we did not publish a year book of the proceedings of the National Association, but since that time we have. I have had sent here by the Secretary of the Association, a full bound set of those pro-

ceedings, and we believe that it has some very valuable information in it, and we would like to tender that for the use of your library, so far as the lumber industry is concerned.

**The Chairman:** We would be very glad to have them.

**Mr. Downman:** The next representative of the lumber industry is Captain E. A. Selfridge, Jr., of Willits, California, President of the California Redwood Association.

### STATEMENT OF MR. E. A. SELFRIDGE, JR.

**Mr. Selfridge:** Gentlemen, unfortunately, owing to lack of time and knowledge of just what information was required, it has been impossible for the Redwood Association to compile satisfactory and complete data for presentation to you at this conference. Data are now being compiled, complete, we hope, in every respect, both as to foreign and domestic commerce, for presentation to you at San Francisco during your meeting here. That will cover both foreign and domestic commerce.

I merely desire to say at this time that our output represents approximately 60 per cent of our potential capacity only.

**The Chairman:** The consumption in this country?

**Mr. Selfridge:** Well, the total consumption. I cannot say what portion of that represents domestic and foreign.

**The Chairman:** Both foreign and domestic?

**Mr. Selfridge:** Both foreign and domestic.

**The Chairman:** I understood you to say about 60 per cent of your capacity.

**Mr. Selfridge:** Of our potential capacity.

**Commissioner Parry:** Of the mill capacity?

**Mr. Selfridge:** That is of the potential capacity; if all the mills were running at full time and to full capacity. The conditions with us are extremely unsatisfactory. The foreign trade is a very important factor in our business, and there is a foreign export department which has complete information regarding that, and will submit it to you in full detail at that time.

**Mr. Selfridge:** Could you gentlemen give me any idea approximately when you will meet in San Francisco?

**Commissioner Parry:** Say about the 20th of August.

**Mr. Selfridge:** The 20th of August?

**Commissioner Parry:** Yes. San Francisco will be a satisfactory meeting place for you?

**Mr. Selfridge:** For the Redwood people, yes; very satisfactory indeed.

**The Chairman:** We will be very glad to have you present your subject matter there.

**Mr. Selfridge:** It will be fully presented at that time.

**Commissioner Parry:** Your association covers all of the Redwood manufacturers in California?

**Mr. Selfridge:** Practically all.

**Commissioner Parry:** Mendocino County—

**Mr. Selfridge:** Mendocino, Humboldt and Del Norte counties.

**Commissioner Parry:** Is your association confined to those three counties?

**Mr. Selfridge:** There really is no association. There is no organization and no president and no records are kept. I am simply here representing the Redwood manufacturers rather than an association.

**Commissioner Parry:** But you are representing the manufacturers of those three counties?

**Mr. Selfridge:** Of those three counties, yes, sir.

**Commissioner Parry:** There are other counties producing redwood?

**Mr. Selfridge:** There is some timber in Santa Cruz, and some timber in San Mateo county, but very little of it is being operated at this time.

**Commissioner Parry:** Then we will expect you to make a presentation about August 20th, and we will communicate with you later as to the dates.

**Mr. Selfridge:** Thank you, gentlemen.

**The Chairman:** I understand that there has been some legislation passed in California, exempting agricultural and certain other similar associations from the application of the local anti-trust laws. I have heard something to the effect that the lumbermen have sought to come within those exemptions. I do not know what the facts are, but I would like to get them, and when you prepare that data I wish you would look into that so that you would be prepared to give us data on that, also.

**Mr. Selfridge:** I will be very glad to, indeed.

**Mr. Downman:** Captain Selfridge has just suggested the absence of a very prominent lumberman on the Pacific Coast, Mr. George X.



Wendling, who represents another line of industry, and who was on his way here, and was taken ill on his way on the train, and is still ill in Salt Lake City. I should like to have the Commission take Mr. Wendling's name and make it a point to have Mr. Wendling appear before them at the San Francisco hearing.

**The Chairman:** Could you make arrangements with Mr. Selfridge to have Mr. Wendling there?

**Mr. Downman:** Yes, I should be very glad to do that.

**The Chairman:** Mr. Jones, will you please make a note of the name?

**Mr. Selfridge:** George X. Wendling.

**Mr. Downman:** The next gentleman on the list is Mr. George E. Watson, New Orleans, Secretary of the Southern Cypress Manufacturers Association.

## STATEMENT OF MR. GEORGE E. WATSON, SECRETARY, SOUTHERN CYPRESS MANUFACTURERS' ASSOCIATION

**Mr. Watson:** Gentlemen, I arrived in Chicago totally unprepared, not knowing exactly the information which was to be called for by this Commission, but I have a few remarks here.

In presenting a report of the trend of the cypress lumber industry for the past several years, consideration must be given to a number of factors which have exerted but a minor influence in other woods, the leading two of which have been the tremendous increase in the production and the rapidly changing market for the products of the cypress sawmills.

To quote figures from those submitted by the U. S. Forest Service, compiled in co-operation with the Bureau of Census, we find a total cypress production during 1899 of 495,836,000 feet. During 1908 it was 743,297,000 feet. During 1913 (being the latest figures available) it was 1,097,247,000 feet. This gives an increase in production during the period of 1908 to 1913, inclusive, of about forty-seven per cent.

Beginning during 1907 or 1908, a decline in the sales of cypress to factories (largely sash, door and blind factories) set in, these factories finding it possible to buy other lumber which would suit their requirements at much lower prices. An impending condition of under consumption became very apparent, and as there was no legal method

available of decreasing the production, demoralization was threatened. At about this time, however, it occurred to the manufacturers that there would be a market for cypress through distributing dealers provided there was an incentive for the dealers to put cypress in stock, this incentive to be produced by creating what might be called a ready-made market, or educating the consuming public in such a way that it would demand cypress for those uses for which cypress is adapted.

Thus began the cypress advertising campaign, which advertising was addressed to home builders and the actual consumers of lumber, the effort being to create a desire for cypress and to cause an increasing sale of cypress through retail lumber yards. This campaign of advertising has been continuously and consistently followed by the cypress manufacturers with the result that this wood has probably suffered smaller decline in volume of business and in prices than have other woods. It must be admitted in all candor, however, that some of the trade now going to cypress would have gone to other woods had the public not been thus educated, although cypress must take some slight credit for having done creative work, in that in a great many instances the use of lumber was incited.

The latest available figures as to stock conditions (meaning unsold lumber on hand) give the condition as of January 1, 1915, and it will be at least another thirty days before the statistics showing stock on hand as of July 1, 1915, are available. These later figures can at that time be submitted to the commission if desired. The condition as of January 1, 1915, is a comparison with the preceding year at the same twenty-nine mills, and they show that the stock of cypress lumber had increased during the year 1914 almost exactly 4%. The stock on hand at these 29 mills January 1, 1914, was 448,926,172 feet, and on January 1, 1915, it was 467,038,889 feet.

During the first six months of 1915, it is known that stocks of cypress lumber have increased, but the exact percentage of this increase, as already stated, is not known. It is believed that the 1915 production of cypress will show a gain over the year 1914, but these figures also are not available, this opinion being expressed merely through knowledge of new sawmills which are beginning operations this year.

No figures have been prepared indicating logging and operating costs, but it will be possible to compile these figures and submit same to the commission if desired.

**The Chairman:** Mr. Watson, have you any foreign market for cypress?

**Mr. Watson:** Very little. There has been some gain, or had been up to last year, some slight gain in the foreign trade. There is some slight amount of stock goes to Ireland for use among the linen mills, and there is some little goes to South America. Other than that, the foreign market is very small.

**The Chairman:** Do you find any competition from outside of this country with cypress?

**Mr. Watson:** Other woods?

**The Chairman:** In the domestic market.

**Mr. Watson:** No.

**The Chairman:** No foreign cypress or foreign woods come in to compete with it?

**Mr. Watson:** Not to compete with cypress, no.

**Commissioner Hurley:** In this increase of cypress, do you find it chiefly on the farms, in silos and tanks?

**Mr. Watson:** The increased consumption of cypress, do you mean?

**Commissioner Hurley:** Yes.

**Mr. Watson:** Yes, we find it scattered throughout the whole country.

**Commissioner Hurley:** Is it noticeable in any particular line?

**Mr. Watson:** In building lines, actual home construction, and the use by individuals. Our trade was formerly largely with factories, sash, door and blind factories, and such establishments.

**Commissioner Parry:** How is this advertising carried on, by your Association or by individuals?

**Mr. Watson:** By the Association, in the name of the Association.

**Commissioner Parry:** Are the expenses pro rated?

**Mr. Watson:** The expenses are pro rated on a thousand foot basis, according to the production of the saw mills.

**The Chairman:** You said that you had twenty-nine mills in the Association, did I understand?

**Mr. Watson:** Twenty-nine mills in that comparative statement. The figures were not available from other mills.

**The Chairman:** What proportion of the total production of cypress is interested in your Association?

**Mr. Watson:** Slightly more than half; that is, on the latest figures available from the Government as to the production. We have



550,000,000 to 600,000,000 feet, probably, produced by Association mills.

**Commissioner Hurley:** As to this advertising campaign that you have in your association, the other independent manufacturers profit by the advertisements also?

**Mr. Watson:** Yes.

**Commissioner Hurley:** But they do not contribute to it, do they?

**Mr. Watson:** No.

**Mr. Downman:** Mr. Chairman, you requested that we have Mr. Kirby to explain, as far as he could, the question propounded to Mr. Keith, in regard to the export business on yellow pine, he being probably the most familiar with that part of the business.

Mr. Kirby, will you come forward? Gentlemen, this is Mr. John H. Kirby, of Houston, Texas.

Mr. Kirby, Mr. Keith said you probably knew a little more about the export business than he did, and if you will, explain it to the Commission.

## STATEMENT OF MR. JOHN H. KIRBY

**Mr. Kirby:** I do not know just what points the inquiry should cover.

**The Chairman:** Mr. Keith developed this morning the conditions surrounding the industry, as he knew them, and their difficulties and embarrassments, and troubles, and we asked for information with reference to the foreign markets, what the foreign markets consisted of, and conditions generally appertaining to the disposition of this particular kind of lumber abroad, either in South America, or in Europe, and also the kinds of competition that you met in foreign markets, if you met any. In a general way, what the conditions in the foreign markets were as affecting your problem. I think that covers it.

**Mr. Kirby:** Yes. There is very sharp competition, Mr. Chairman, in the foreign markets. We Americans have been of the opinion that our failure to compete, even before the War, set in, arose largely out of political conditions or legal conditions. We have been forbidden to get together and form large concerns for the purpose of

handling foreign trade, just as we have been forbidden to get together in the domestic trade, whereas our competitors, especially in the British Colonies, have not been so handicapped, and they have been able to take away from us in times past, speaking now entirely for the Yellow Pine people, the trade in foreign countries, in South America and in Europe, because of the fact that they could form larger organizations.

**The Chairman:** Selling organizations?

**Mr. Kirby:** Selling organizations, to take care of the foreign business. And as a result, they have held that foreign business against us to a very large extent. We have not the trade in South America that we ought to have, in Brazil, Argentine, Columbia and even in Central America. Our Canadian competitors have taken it away from us to a certain extent.

We had some, of course, prior to the European War, a considerable trade in Europe, old, settled countries like that, where they were accustomed to our wood, and of course, nobody has what we think is just as good as yellow pine, where they have tried it out, and we have been able to introduce it. That trade, of course, is lost to us under present conditions.

I do not understand just the scope of this inquiry before this Commission, and I do not know just what is proposed to be done for the relief of the lumber trade of America, and especially the yellow pine trade, in which I am interested. But I do know, that even in our neighboring sections of the West Indies, we have not been able to maintain ourselves, because none of us are large enough to take care of the trade in a substantial way, and the law forbids us having any understanding with our neighbors in the way of selling agencies, or anything of that sort, for the purpose of going after that trade. I do not know whether that is the scope of the inquiry you desire me to testify about.

**Commissioner Rublee:** You said you had been prohibited from forming associations for the purpose of the foreign trade?

**Mr. Kirby:** Yes.

**Commissioner Rublee:** Will you explain in what way you were prohibited?

**Mr. Kirby:** We understand that any agreement that could be construed to be in restraint of trade, applies as much to foreign trade as it does to domestic trade, and we understand further, that we are forbidden to organize anything like a selling agency in this

country for the purpose of handling the domestic trade, and that the same law applies to us in so far as the foreign trade is concerned.

**Commissioner Rublee:** What is the basis of your understanding?

**Mr. Kirby:** The Sherman Anti-Trust law.

**Commissioner Rublee:** Is this just merely your construction of the Sherman Anti-Trust law.

**Mr. Kirby:** What our lawyers tell us are our rights under it. I do not know that any lawyer understands it.

**Commissioner Rublee:** I was just trying to get at that point. So far as I know there has been no decision of the courts affecting that question.

**Mr. Kirby:** I do not think any yellow pine man has been guilty, so you could have a decision bearing directly on the question.

**Commissioner Rublee:** I just wanted to know what the ground of your opinion was.

**Mr. Kirby:** That is it. We understood it was forbidden.

**The Chairman:** And you were taking no chances?

**Mr. Kirby:** We were taking no chances. We are a law-abiding set, if we know ourselves.

**Commissioner Hurley:** Do you believe it would be helpful to the lumber industry if the lumber manufacturers could get together and form a co-operative selling plan, and go after the foreign business?

**Mr. Kirby:** I do, and we would be on the same basis then with our competitors, especially our British Possessions' competitors, who have no such handicap, as I understand it. And they form these organizations for the purpose of handling foreign trade. They even go so far as to provide bottoms to carry their product in.

**Mr. Hurley:** Do they get a better price? Do Canadians get a better price than we get for our lumber?

**Mr. Kirby:** I assume they do, as we do not get any of the business when we do figure a schedule for foreign delivery. I do not know what they get. There is more than the price involved, because it is the transportation cost of getting it there, and of course no one concern over here is able to control the bottoms necessary to supply this trade. I really do not know, though, the relative prices of what they get or what we get. I know that they enjoy the trade, but I think it is more largely a transportation question than otherwise, because we are not able to figure closely, because no one man is able to command the transportation.

**Commissioner Hurley:** Where are your markets for your lumber?



**Mr. Kirby:** Largely in the United States.

**Commissioner Hurley:** You mean in the Central West?

**Mr. Kirby:** No, my product goes into thirty states. I am one of the larger ones of the yellow pine manufacturers. We have some fourteen mills and make something like four hundred million feet a year, and our market is all the way from the Gulf to the Lakes, and from the Rockies to the Atlantic. We sell largely in New York and the New York district, and we do in the Mississippi Valley down here. And to give away a family secret, I have just received my annual statement for last year, and we lacked something more than \$200,000 of earning one postage stamp on last year's business, covering something like 400,000,000 feet of lumber.

**The Chairman:** You doubtless have given a good deal of thought recently to this proposition of combination or co-operation in a common selling agency for foreign markets in the lumber industry. What do you think, what would be your judgment, as to whether such a co-operative agency for the purpose of promoting your sales in foreign fields would have any effect upon local prices; in other words, is it possible to get the advantages of co-operation to the extent of your markets in foreign fields without permitting a combination which would affect prices and hurt the consuming public in this country?

**Mr. Kirby:** I think so. If we could organize a selling agency that would take care even of our surplus, it would maintain our home market without any necessary boost to that home market, but would prevent demoralization such as exists now, with something like 17,000 competitors at each other's throats all the time, when there is an over-production or an under-consumption, whichever it may be. There need not necessarily be any relation between the foreign price and the domestic price.

**The Chairman:** Do you think there would be, as a matter of practical effect?

**Mr. Kirby:** Well, I doubt if there would be. They are entirely new fields, and they do not find out about each other. The market in America is practically the same thing everywhere, because they all know the prevailing market, and it is largely today what the buyer is willing to pay, because there are so many willing to sell, that he fixes the price largely at the present time. If we could form an association or co-operative organization of that kind for the purpose of taking care of the foreign trade, it might be three or four dollars a thousand better than the domestic trade, because not all of us

are so situated that we can reach the ports on a competitive basis. There are many interior mills like Arkansas, for instance, where there would be a differential against them in the freight rate reaching the port. But it would take out of the domestic trade to the extent of the consumption abroad of the product, the coast mills, make that is marketable abroad. There are a great many things where the market is peculiarly in this country, but of their grades, which are marketable abroad, it would take them out of the domestic market, and of course, they would sell for more money abroad, or they would not go abroad. That goes without saying.

**The Chairman:** What is your chief handicap abroad now? Is it your inability to exploit the markets?

**Mr. Kirby:** That is largely it.

**The Chairman:** Or is it lack of ability to meet prices, or quality, or quantity?

**Mr. Kirby:** It is inability to meet the market, because none of us are powerful enough financially to contract for the bottoms. None of us have the stock behind us to supply the demand. We have got to have co-operation or else we cannot supply the trade and cannot make large contracts abroad. None of us, or perhaps no two or three of us are big enough to supply that demand and meet our contracts. We would have to take in a large number of manufacturers having the capacity to supply the contracts, and that of itself would be effective in attracting to us the bottoms, whether we bought them, or hired them, or whatsoever. Bottoms right now are scarce, but ordinarily they seek the tonnage.

**The Chairman:** You spoke of the extension of the Canadian markets to the foreign trade. I am rather interested because the Canadian policy with reference to competition is practically the same as our policy; the policy of Canada is opposed to monopolies and the policy of the United States is opposed to monopolies.

I am rather interested, therefore, as to the facts, if you happen to have them at hand, as to what the Canadian manufacturers do to extend their foreign trade.

**Mr. Kirby:** I understand the Canadians, of course, are bound by common law just as we had it in this country before we assumed to repeal it or regulate it by statute, and that monopoly is opposed to the common law, and that there is a remedy.

**The Chairman:** The Canadian combinations act reiterates that too?

**Mr. Kirby:** Yes, but nevertheless the fact is this, that they have the right or they exercise the right of doing those things that are necessary for the protection of their enterprises and their industries.

I take it as the American thought on that subject that we have that right or ought to have that right, and yet there is a statute staring us in the face that forbids us making anything in the nature of an agreement in restraint of trade, and up to this time there has been no tribunal, unless this body is so empowered, to tell us what may be and what may not be obnoxious to the law and therefore in restraint of trade.

Now, I understand it to be a fact that Canadian lumbermen can get together in scores, or tens of scores, and say that dimension of a certain quality is worth so much money under the law of supply and demand at the present time; and when they gather their statistics that that is the price that they make under an open agreement that that is the price, but no such thing as that can occur in this country.

**The Chairman:** Do you know that to be the fact?

**Mr. Kirby:** I understand it to be so. I have not been among them, but well informed men in my line have been present at their meetings, and they tell me that that is the fact. For instance, men like A. L. Clark, of Dallas, Texas, who owns a mill in Vancouver or in that vicinity in British Columbia.

**The Chairman:** Would you be kind enough to investigate that and verify some of these facts and give us the benefit of it by writing to us?

**Mr. Kirby:** I will be glad to do it.

**The Chairman:** It is a very interesting matter and is rather illuminating as to Canadian policy.

**Mr. Kirby:** I understand that to be the fact and I shall take pleasure in running it down.

**The Chairman:** I wish you would.

**Mr. Kirby:** I have not heard it questioned.

**The Chairman:** Are you familiar with any co-operative organizations that they have, which are actively engaged now in foreign trade?

**Mr. Kirby:** Well, no, not to say familiar with it.

**The Chairman:** The names of them?

**Mr. Kirby:** No, I could not say I am familiar with that. They have them on each coast, however, as I am informed, both on the east



coast and on the west coast in British Columbia. Of course their market has been to an extent an American market too. They are governed, of course, when they cross the line by the cut-throat competition we give them. We drive them back as much as we can. Is that all, Mr. Chairman?

**The Chairman:** That will be all, Mr. Kirby, thank you.

**Mr. Downman:** Mr. Chairman, I would like to ask Mr. Kirby as to the effect of taxation in Texas. I would like to have you ask him as to how the taxes are assessed on his properties and the properties of other timbermen in Texas.

**The Chairman:** Mr. Hurley raised the question this morning as to the effect the divergent tax laws in the various states have on timber lands.

**Mr. Kirby:** In Texas we levy an ad valorem tax, and the fixing of the values is largely within the discretion of the tax board known ordinarily as the Commissioners Court, composed of four men chosen from different sections of the county, and the county judge. For ten years or more they have annually increased the values of standing timber or timber lands so that the tax burden today is quite onerous. We made an argument to those commissioners down there which has not been very effective, in an effort to get them to release us from those extraordinary burdens on the proposition that the timber man only gets a crop from his holdings, his forest, not oftener than once every fifty years; whereas, the agriculturist or other person tilling the soil in any form, horticulturist or whatever he may be, gets an annual crop that enables him to carry his burden, and that that ought to be taken into consideration.

But, at the present time they levy a tax based upon the market value of the property which is very burdensome, especially in view of the fact that in erecting a sawmill you must have something like ten years' timber supply, with a large investment, and the tax upon that timber supply becomes quite burdensome carrying it through the entire period.

Mr. Downman suggested to me the matter of tariff taxation. We down on the Gulf, of course, are too far removed to be affected directly by the little custom house tax that has heretofore been levied or by its removal which was done by the last Congress; but I understand our neighbors and competitors along the Canadian border here are substantially affected, in that more Canadian stuff comes into this country. That is to say, in so far as the \$1.25 which was the former

tax would pay the freight, they get in. They have a number of these foreign forests, these Canadian forests, which can get into Chicago on a \$2 rate, whereas we, from the Gulf section down there, pay about \$8, so that in this territory here they have an advantage of us both from the fact that they are admitted free and from the circumstance that they pay a less freight rate. That I do not understand to be involved in this inquiry, however.

**The Chairman:** Did I understand you to say that you were engaged in export trade?

**Mr. Kirby:** Yes, we were prior to the European war.

**The Chairman:** Could you describe to us how you conduct your foreign business, that is, just follow an order through and explain to us how that business is conducted?

**Mr. Kirby:** We have sold our business, Mr. Chairman, on this side. We did not have any satisfactory facilities for understanding credits abroad, and so we have sold, in so far as the Kirby Lumber Company, which I represent, is concerned, and whose business I am familiar with, and I am not familiar with the foreign business of any of my competitors—we have sold to the exporter at shipside. We get our money on this side, and I really do not know the method of marketing on the other side or in South America.

**The Chairman:** Is that exporter a foreign firm or individual?

**Mr. Kirby:** Largely a foreign firm, yes, sir.

**The Chairman:** And you just ship and sell to him at shipside?

**Mr. Kirby:** Yes, sir, at shipside. When I get my lumber to the port he gives me my money and I have nothing to do with it thereafter and am not familiar with the method of merchandising on the other side.

**Commissioner Parry:** If he offers you a satisfactory price, you take the business?

**Mr. Kirby:** Yes, sir, and I have often taken it, Mr. Commissioner, when it was not satisfactory.

**Commissioner Parry:** You have no means of knowing what price he gets?

**Mr. Kirby:** No, sir.

**Commissioner Parry:** Except in a general way?

**Mr. Kirby:** As a rule we know how stuff is quoted on the other side. Of course, we get the market reports and we know in the neighborhood of what stuff is worth. Not so much about South America as we do about Europe, Germany, Great Britain and France.

**The Chairman:** We are very much obliged to you, Mr. Kirby.

**Mr. Kirby:** Not at all, sir.

**Mr. Downman:** Mr. Chairman, the fact develops that there are one or two of the gentlemen that were on this program, who are not prepared.

**The Chairman:** Would it accommodate them to be heard in the morning?

**Mr. Downman:** Yes, sir, very much indeed.

**The Chairman:** We have considerable business which we could transact in conference which we have to transact, and we could adjourn at this time if it would be an accommodation to you, and resume in the morning.

**Mr. Downman:** I think it would facilitate the work a good deal to permit the rest of these gentlemen to get their papers in better shape, and by tomorrow morning I feel quite sure that they would have them in proper shape.

**The Chairman:** We will be very glad to have that done. We have some work we have to do tonight. How much time do you think you will need in the morning, Mr. Downman?

**Mr. Downman:** I do not think that it will take much more than the forenoon.

**The Chairman:** If we start in at 10:30 it will be all right with you?

**Mr. Downman:** I think we can get through by that time, although I am not quite sure that we can. I was thinking as to the afternoon, that there were a number of very important questions that we would like the Commission to ask in the case which I think we can develop and hand to you in the form of a list so that you can put the questions in any way that you may see fit to put them.

If we adjourn now I think we can get that all in shape.

**The Chairman:** Then we will adjourn now until 11:00 o'clock tomorrow morning at this place.

(Whereupon, at 3.20 o'clock p. m., Monday, July 19, 1915, an adjournment was taken until Tuesday, July 20, 1915, at 11:00 o'clock a. m.)



## THIRD SESSION

TUESDAY MORNING, JULY 20, 1915

**The Chairman:** Are you ready to proceed, Mr. Downman? If so, we will resume, gentlemen, and the Commission room will come to order, please.

**Mr. Downman:** Mr. Chairman and members of the Commission: According to the statement made by the Chairman yesterday, our time limit would be one o'clock today.

**The Chairman:** You may take such time as you desire, Mr. Downman. We will accommodate ourselves to anything you desire.

**Mr. Downman:** The reason I mentioned it is because we have formulated a program here that is bound to lap over into the afternoon session.

**The Chairman:** We will arrange our time accordingly.

**Mr. Downman:** I would like to ask, therefore, if the Commission can give us the time, that we be given time to present the matter properly before them.

**The Chairman:** We will be glad to do that.

**Mr. Downman:** Thank you.

Before opening this session, I would like to make a statement and furnish definite information in regard to the statement to the Commission a little later.

Recently I was in British Columbia, at Vancouver, at which time the papers were full of the action of Mr. McMillan, the Chief Forester of the Province of British Columbia, in regard to the timber supply of that province. The statement was made that Mr. McMillan had been authorized by the government to immediately enter into a general publicity campaign for the benefit of the lumber manufacturers at the expense of the state.

I believe that that information has been furnished through the Consular Department, and it can be easily supplied.

Another point that I understand the Commission would like to have some definite information on is the bearing that the issuance of bonds by operators as well as timber owners has had on the in-

dustry. I would like to suggest to the Commission that that is a very long question to take up, and one that I do not believe I would be able to throw much light on, although it has some bearing. I understand that you expect to have various bankers before you, to question them on certain matters pertaining to different industries, and I would like to suggest that you take it up at that time if you desire information through that source. I think they can enlighten you very materially as to the effect this bond issue would have.

I also understand that the Commission has desired some information as to the effect on the lumber industry of so-called substitutes. I would like to state that at present the National Lumber Manufacturers' Association is about to put into effect a bureau under the auspices of that association for the purpose of taking up and investigating all questions of that kind. The only information that we have now is information that has been compiled by the government itself, and the compilers of it say that it is not of very much value because they have not been able to reach the information from a large enough number of sources. It has been generally estimated by the government officials that the reduction in the use of lumber in the last few years, of 50 feet per capita, has been almost directly attributable to the inroads and the activities of the so-called substitutes.

To bring out a lot of matter that we think you want, I want to ask permission that Mr. Charles S. Keith, who has given a great deal of time and study to this proposition, and who addressed you yesterday, be permitted to sit here with me, as well as General Boyle, to try and draw out of the people who address you the good stuff that you want, or the bad stuff—we claim it is mighty bad.

Before I go to that, the question was brought up yesterday with regard to the ability to co-operate. I will read from a stenographic report of a meeting of the National Veneer and Panel Manufacturers' Association on June 8th. This has just been handed me. It is a statement made by Mr. Howard P. King, of the Otto-Rumcke Company of Melbourne, Australia, in which he states:

“We have an association in Victoria and the timber or lumber merchants meet and co-operate together so as to fix prices. We have meetings similar to this to bring out a better feeling among the merchants. Some of the merchants break prices sometimes. The Association has been in existence for the last ten years, and it gives the smaller merchant as good a chance as the bigger merchant.”

**The Chairman:** Is there any published source for that statement?

**Mr. Downman:** Mr. Kellogg, have the Veneer people an organ?

**Mr. Kellogg:** Yes, I think this has been published in the trade journals. It is taken from the stenographic report of that meeting. It was a statement made in an open meeting at the Auditorium Hotel on June 8th. I happened to hear the statement myself and I can say that it is substantially correct as reported there.

**The Chairman:** What was the convention or meeting?

**Mr. Kellogg:** It was the regular meeting of the National Veneer and Panel Manufacturers' Association.

**The Chairman:** Held here?

**Mr. Kellogg:** In the Auditorium Hotel.

**The Chairman:** Have the proceedings been published?

**Mr. Kellogg:** The proceedings have been published in the trade journals. Whether that particular report was published I cannot say, because I have read it carefully, but this is a copy of the stenographer's report of the meeting.

**Mr. Downman:** What is your idea, that we furnish you with the published report?

**The Chairman:** Yes. We do not want it as hearsay. We want to verify it from the original sources. There is no reflection upon your sincerity in the matter.

**Mr. Downman:** No, I understand, and Mr. Kellogg will get that authenticated, or make this authentic before it is presented. I just read it as it was presented to me here a moment ago.

Now, we will proceed, and I would like to introduce to you Mr. Edward Hines of Chicago, Illinois, who will touch upon some matters that he thinks are of very great importance to the lumber industry.

#### STATEMENT OF MR. EDWARD HINES

**Mr. Hines:** Mr. Chairman and gentlemen—

**The Chairman:** What subject do you propose to discuss?

**Mr. Hines:** It is a combination, really, of several subjects. First, an attempt to place before you the position of the lumber industry of the United States. Then it touches also on the competition we have outside of the United States and brings in latterly the question of Canadian competition, direct between Chicago and New York City, which are our greatest markets in the United States, and on the question of what has occurred since the tariff was removed on lumber.



**The Chairman:** Of course, the tariff situation is a matter which we do not care particularly to take up at this time.

**Mr. Hines:** We feel this, if we can place in a very brief way before you the subject, possibly later on your body may feel the importance of making a recommendation to help our industry.

**The Chairman:** We may take that up later, but I do not think it is exactly germane for the purpose of this meeting as we understood it from Mr. Downman, and inasmuch as the time is limited, I think perhaps we had better defer that matter.

**Mr. Hines:** Is it your idea that my remarks should not be made at this time?

**The Chairman:** Insofar as it relates to the tariff, I think it might be well deferred. On others matters we would be glad to hear from you.

**Mr. Hines:** It is really a question, if I can read my paper, it is intertwined with some other statements I have. Of course, we will abide by whatever the Chairman desires in the matter, but I do not think it will take over three or four minutes, so far as the tariff is concerned.

**The Chairman:** Well, suppose you proceed.

**Mr. Hines:** I wish to first impress upon the minds of the Honorable Members of this Commission, the magnitude and importance of the lumber industry of the United States. It ranks first in the number of employees engaged, of any manufacturing industry in the country. Over one billion dollars is invested exclusively in saw-mill plants and accessories, this not including the standing timber or raw material, which generally is purchased in sufficient quantities to insure the running of the plant for fifteen to twenty years or more, and justify the expenditure for the building of the plant adjacent to same. This industry is most unique and stands alone, as against practically every other industry (except possibly the mining industry) because in most other lines factories can be built at some central advantageous point and the raw material brought from various places to such plants for almost an indefinite period. I wish to call your special attention to the fact that the more modern saw-mill plants represent an expenditure of over half a million dollars—the average investment in timber or stumpage made prior to the erection of the plant is generally five to six times the value of the plant; so you can appreciate the stupendous sum that is invested in timber, when you figure that the plants alone in this country are reckoned at a cost of over one billion dollars, and

the plants being not to exceed, generally speaking, more than twenty percent of the value of the timber secured for the operation of the plant.

I wish also to call your particular attention and have you weigh carefully, that the National Lumber Manufacturers' Association is a body of practical and active manufacturers. We do not wish you to confuse this with the comparatively few in number, classed as timber investors, many of whom never manufacture a tree and have no interest in manufacturing operations.

This industry, national in its scope, is represented by some 48,000 saw-mills. Few people of this country recognize the enormous extent of this industry. It has been, in many minds, classed as a local industry, and confined to a few states. Far from such being the case, the lumber industry exists in almost every state. It is a leading industry in 25 states, and the chief industry in approximately 15 states. The manufacture of lumber began in this country about 300 years ago on the New England coast, and yet today Maine is still one of the leading lumber manufacturing states in this country. The territory covered by the lumber industry where it is a prominent factor covers the entire New England states; New York also manufactures a very large amount; Pennsylvania, while not generally considered a lumber manufacturing state, has more saw-mills than any other state except North Carolina and Virginia, manufacturing in 3,054 saw-mills, or a total of 1,462,000,000 feet of lumber, almost as much lumber as the state of Oregon, which is considered almost exclusively a lumber producing state. Massachusetts probably surprises many in the manufacture of 360,000,000 feet of lumber, operating 643 saw-mills. It is the leading industry throughout all the Southern states, which today produces a larger amount of building material than any other section of this country. The lumber industry is a large factor in Tennessee, Kentucky, Arkansas and Missouri. It is an important industry in Wisconsin, Minnesota and Michigan; in the West, a chief feature of California, Washington, Oregon and Idaho. In many towns it is the only industry, and supports the entire town; in fact, many towns have been built, and furnishes the entire means for the livelihood of the inhabitants of hundreds of towns in a number of states. The above are the facts under normal conditions.

Among these 48,000 saw-mills the greatest part of them are owned by individuals or small companies, many of the concerns owning but one saw-mill; it is safe to say that there are at least 28,000 individual

saw-mill operators in the United States. These owners are actively engaged in the business and should be entitled to a reasonable operating profit. This business more than any other is pioneering in every sense, involving large expenditures of money in advance, causing much personal hardship and the exhibition of much pluck, courage and application. In the employment of labor this industry stands first among the great manufacturing lines, by employing approximately 700,000 men and furnishing a direct livelihood to them, and an indirect livelihood to the balance of the community in the various towns where the saw-mill is the only industry in that particular vicinity.

The above is the condition that the lumber industry should be in under normal conditions; conditions under which it should exist. The present condition presents almost the opposite picture. On the Pacific coast a large percentage of the saw-mills are shut down—the same conditions exist in the Southern states. Those that are running are operating on a very low wage scale. In the Inland Empire (the states of Idaho, Washington and Montana), conditions are fast assuming the same state, some concerns having gone in the hands of a receiver; others being unable to meet fixed charges, in many cases the present prices received not netting operating cost, to say nothing of getting anything back for the timber cut. In the pine region of Minnesota, Wisconsin and Michigan, conditions have been gradually getting worse month by month, until today many operators are facing the question of having no more piling room on which to pile lumber, and the question of getting sufficient insurance to cover the manufactured product now cut; facing the problem of shutting down their mills at this season of the year, most inopportune, and throwing out of employment a vast army of workingmen directly, not to speak of the loss to the community by such enforced idleness where such properties are located.

This great industry, under normal conditions, stands first as a purchaser of farm products. Hence, whatever affects this industry and lessens its requirements and purchasing power must necessarily also affect the farmers and other producers of the United States.

It furnishes to the railroads the largest number of cars of freight of any industry and is second only to coal in the actual tonnage it gives to the railroads.

No lumber properties in any section of the United States is doing anything like a normal business, which is a matter of common knowledge.

In lessening the number of cars it gives the railroad companies to



haul, it must necessarily seriously affect the earning power of the railroads and its large army of employees. It has been estimated that it furnishes lumber aggregating over two hundred million dollars in freight annually, the largest amount in freight, in dollars and cents, of any commodity.

Eighty percent of the gross price of lumber delivered to any of the great central consuming districts of the United States, taking as a basis, Buffalo to Chicago, goes to labor, farm products and transportation. Therefore when a large reduction in shipments takes place it must necessarily quickly seriously affect the whole nation.

The lumber industry is in a peculiarly unhealthy condition at the present time. The depression following the year of 1912 caused a great falling off in the price of lumber, and inflicting, we think, a greater hardship on lumber than any other commodity, much greater than in comparison befell anything that comes in competition with it; this particularly coming about in our judgment from the fact that there are 48,000 saw-mills in the country, not alone competing one with the other, but different species of wood of the country being active competitors for the same trade, particularly in the great consuming states and cities of the United States; in the Central Mississippi Valley, taking for instance from Central Wisconsin and Minnesota to the Ohio River; from Pittsburgh to Denver; the territory that uses the largest proportion of lumber of any like territory in the United States. Yellow pine from the South is an active competitor for this business. The Pacific coast states, Washington, Idaho and Oregon are strong competitors. And at the same time the states of Minnesota, Wisconsin and Michigan are direct and strong competitors for this same trade. Canada is a great competitor and with peculiarly strong advantages over all the competitors in the West, Northwest and South, in the great consuming market of the Great Lakes.

We desire to call your special attention to the peculiar special advantages that Canada has over practically any of the manufacturers located in the United States, in reaching the greatest, not alone consuming, but manufacturing cities in the United States, like Milwaukee, Chicago, Bay City, Detroit, Toledo, Cleveland, Buffalo, Tonawanda and New York, and many of the smaller cities on the Great Lakes; and through these gateways to the greatest consuming states of the United States, like Illinois, Indiana, Ohio, Pennsylvania and New York state. Canada has a great advantage particularly in the transportation of its product in a very low water rate of freight, cheap labor, and cheap

farm produce, and comparatively no taxes. Thus lumber coming from Canada to the great gateways above mentioned largely manufactured on the Georgian Bay, an arm of the Great Lakes, directly accessible by cheap water transportation, the average cost of transporting Canadian lumber to the respective cities above mentioned is about \$2.00 per thousand feet. The average cost of transporting the same character of lumber from Minnesota and Wisconsin, which today are the closest markets to this territory, is 22 to 26 cents per hundred pounds, or \$5.50 to \$6.00 per thousand, or about 200 percent greater than from Canada. From the great Southern states, which are the largest producing districts of lumber in the United States, like Alabama, Louisiana, Mississippi, etc., the rate to Chicago is approximately 25 cents; to Buffalo approximately 32 cents, or say an average to this particular territory of 28 cents per hundred pounds—taking yellow pine, averaging 3,000 lbs., the freight would amount to \$8.50, as compared with \$2.00 from Canada, or 300 percent greater from the South than from Canada. And this is not all. Take lumber coming from the Inland Empire, the rate to Chicago being 42 cents; to Buffalo 55 cents, or say an average of 50 cents, the lumber rough would be \$12.50 per thousand feet, or 500 percent greater in freight than from Canada, on identically the same character of lumber. Further, lumber coming from either Wisconsin and Minnesota, South or the West, on which the freight averages from 200 to 500 percent more, is paid directly to American railroads, of which a very large proportion goes to American labor, and directly to the consumers, as compared with lumber coming from Canada by water transportation. Note the great advantage the Canadian operator has in transportation alone; the unique and favorable position he occupies, being on the very border of the great consuming markets of the United States, as compared with the South, 1,000 miles from such market; Wisconsin an average of 500 miles; the Inland Empire about 2,000 miles, and the Pacific Coast about 2,500 miles. In addition to this there are large quantities of lumber produced in the Rocky Mountain region of Canada, and in British Columbia under conditions which enables them to ship the product to the United States on a very favorable basis.

This is not all the advantage she has over the American manufacturer; first, labor is generally from 10 to 15 percent cheaper than in the American mills; second, she has a great advantage in mode of taxation, in most of the cities the local districts vote to the manufacturer or industry, an absolutely free personal property tax as com-

pared with the large taxes paid by the American manufacturer. Third, the Canadian operator does not have to invest large amounts of money in advance in the way of purchasing standing timber to insure his mill output; the Government owns the timber and leases, so to speak, a tract or district to the manufacturer, whereby he is only obliged to pay for the timber as he cuts it, and pays no interest; compare this with the American manufacturer who is obliged to buy his timber from fifteen to twenty years in advance of his cutting it, interest and tax charges starting immediately, also subject to risks of fire, timber blowing down, etc., while the Canadian operator is not subject to these risks, as the timber belongs to the Government, and any loss is a Government loss. Also the cost of farm products is generally less in Canada than in the United States, the Canadian operator pays less for his horses, food-stuffs, etc. Fourth, the standard of living in Canada, of the Canadian woodsmen and laborer, is not to be compared with that of the American, enabling him to live and work for less.

Therefore it is apparent that the present low price of low-grade lumber in the United States, which is a tremendous factor in the aggregate, is largely influenced by the large importations of low-grade lumber from Canada. The Canadian manufacturer is anxious to log, saw and ship this low-grade product, and can do so on account of their cheap labor, cheap farm supplies, and the still greater advantage that they have in certain parts of Canada, by cheap water transportation to our largest and best markets. This permits the Canadian manufacturer to utilize almost every tree in its entirety and to net the manufacturer something even on the cheapest kinds of stumpage and most defective material, as against compelling the American manufacturer to leave in the woods a large proportion of coarse timber, semi-defective material, in order that the average price of that which he does utilize will warrant his expense of logging, manufacturing and shipping. Not alone is the price of low grade lumber in this country depressed, but there is directly lost to posterity in this country, the very large quantities of timber that is now being left in our American forests, as whatever is left must go to waste. If for no other reasons, but in the interests of that which affects us all—"conservation"—should not this Commission propose something that would remedy this awful and deplorable condition of waste?

On the importations from Canada on basis of about one billion feet per year on a conservative figure, the American railroads lose from five to seven million dollars in loss of revenue, as compared, if this same



quantity of lumber would come from the various manufacturing points in this country, and what is lost to the railroads of this country, must necessarily mean a national loss. Since the lumber industry occupies such a high place in this country, ranking first in the number of employees, in consumption of farm products, in the use of manufactured goods, and in the amount of freight furnished the railroad companies, anything which will depress it, must quickly be followed in all associated lines of business, in the commercial and industrial activity of the entire nation.

It would seem, therefore, that the American people, through a body like the Federal Trade Commission, after carefully considering the conditions of this great industry at the present time, would be warranted in recommending to the Congress of the United States, that an adequate import duty, which, as shown from the past, could properly be classed as a revenue duty, be put upon the statute books of this country, as a part protection to not alone this industry directly, but to labor in general, and the many diversified interests that depend upon their livelihood on this industry.

The condition at the present time is, by having removed the tariff on lumber, the markets of our 100,000,000 people of the United States are thrown open for the benefit of the 10,000,000 people in Canada, inflicting a useless loss upon this industry, the American people, and to the United States Government. And Canada offers absolutely nothing in return in the way of reciprocal relations. This is most particularly illustrated in her duty on lumber imported from the United States, when dressed, of  $32\frac{1}{2}$  percent, and if rough,  $7\frac{1}{2}$  percent. And in the past there has been some kinds of lumber exported from the United States to Canada, such as various kinds of hardwood, maple flooring, and large quantities of lumber from the Inland Empire, and yellow pine from the South to some extent. But this is not all; it is particularly illustrated in her law absolutely prohibiting the exporting of any timber or logs to be manufactured by mills in this country, compelling the Canadian timber to be manufactured only in Canada, thus furnishing employment to her own citizens, and furnishing a market for her own farmers, as against the loss to the American laborer and the American farmer. She will not even allow a single piece of machinery of any kind to come in from this country for the construction or operation of her saw-mills, except on the payment of a heavy protective duty, which is almost prohibitive. While under the present free entry from Canada into the United States, every foot of lumber

coming from Canada to the United States, deprives this country of its former revenue, the American railroads of its cost of transporting same, as compared with being manufactured here; the American laborer of his just proportion of what he would obtain if the lumber were manufactured here; the American farmer of his just proportion in the sale of foodstuffs and supplies, if the stock were manufactured in this country; the American manufacturer of various lines of machinery, oils, belting, and other accessories, if the lumber were manufactured in American saw-mills, as compared with Canada—the general loss to this country of fully 80 percent of the cost price of that lumber. Taking for instance lumber averaging \$15.00 per thousand, fully \$12.00 per thousand is lost to the American nation, as fully that proportion of the cost of lumber, if manufactured in this country, would be paid out directly and indirectly to American labor and producers.

It has been perfectly plain to anyone watching the lumber business during a twelve years' period, when the latter enjoyed a duty, even though very small, that the lumber trade enjoyed the greatest degree of prosperity, not alone the manufacturer, but the American laborer, mechanic, farmer, and railroads of this country, while on the contrary, since the duty has been taken off, this industry has become almost paralyzed, and many concerns bankrupt.

Because of the navigation laws of the United States, the American lumber manufacturer is compelled to ship lumber from one American port to another in an American boat, flying the American flag, built by American labor, and manned by American seamen, living under American conditions; while the Canadian manufacturer is at liberty to ship from Canadian ports on either the Atlantic or Pacific, to any American port, in any character of foreign boat. This represents conservatively an advantage of \$2.00 per thousand feet on shipments from Pacific ports in Canada to Atlantic ports in the United States, through the canal or otherwise. When normal conditions are restored in Canada following the present European war, the Canadian lumber manufacturers can and will undoubtedly take advantage of this situation, in competing for the big markets on the American Atlantic seaboard to the detriment of the manufacturers on the American Pacific coast.

The entire lumber manufacturing industry of the United States, represented by the National Lumber Manufacturers' Association, has full confidence in the honesty of purpose of your body, and feel that only by full knowledge of conditions in our business can we receive

the assistance that this great industry is entitled to. Therefore, after you have full opportunity of considering the briefs we have submitted, there is any further information desired, we feel it a pleasure and our first duty to furnish same promptly.

**Mr. Downman:** If the Commission desires to ask Mr. Hines any questions he would be glad to answer them. If not, Mr. Keith would like to ask him some questions in regard to his paper.

**Mr. Keith:** Yesterday the statement was made that the loss in stumpage by reason of waste going on annually, was 15,000,000,000 feet. Have you made any analysis showing what the effect of that is upon the railroads and labor employed by the railroads, in point of tonnage lost?

**Mr. Hines:** I think it is safe to say that the loss under the present conditions of the price of lumber, taking the country as a whole, but particularly in the South and West, and the hemlock in the North, is fully 25 to 30 per cent that is now being left in the woods, which naturally goes to waste. That would mean about 15,000,000,000 feet of lumber which should be manufactured in the United States. Of that the railroad companies lose, I think, \$5.00 to \$7.00 a thousand from the loss of transportation, and 15,000,000,000 feet multiplied by \$7.00 per thousand would reach the huge sum of \$105,000,000.

**The Chairman:** That is left in the woods because it is not profitable to manufacture?

**Mr. Hines:** The idea is this: at the present time the price of lumber of low grade and defective timber and top logs will not bear the cost of logging, manufacturing and transportation. Therefore, the manufacturer is obliged to leave it in the woods, and he is simply taking about 65 or 70 per cent of the better part of the tree.

**The Chairman:** Is that affected by the use of substitutes for lumber?

**Mr. Hines:** It is affected to a certain extent by substitutes. It is affected through a combination of reasons. One of the reasons, in my judgment, is, as I explained, first, the cost of transportation. From Georgian Bay to Buffalo it is \$2.00 per thousand feet, and the cost of transporting the same lumber from Mr. Kirby's mill, who is one of the large operators in Texas, of the same character of lumber, would be about \$10.00 a thousand.

**Commissioner Hurley:** They do not ship Texas lumber to Buffalo, do they?

**Mr. Hines:** Large quantities. I should say in Chicago today



it is safe to say that 75 per cent of the lumber being used is coming from the states of Texas, Louisiana and Mississippi.

**The Chairman:** I have seen it estimated that a very large sum of money, I think approximately \$6,000,000 a year, is spent in the advertising alone of substitutes for lumber. I heard it estimated that 50 per cent of the annual output or consumption of lumber has been substituted by cement, that is, that enough cement has been produced in the last few years more than in the preceding years to substitute for 50 per cent of the annual consumption of lumber. Naturally, if those things are true, it reduces the demand and consequently there is a loss for some of your mills, and it makes it less profitable to use the boughs and those parts of the tree which you leave in the woods. I was wondering what information you had with reference to that situation?

**Mr. Hines:** Mr. Chairman, we have no definite information, but we are now attempting to collect data. But in a practical estimate, from several conferences we have had, we do not figure it as over 10 to 15 per cent.

**The Chairman:** Ten or 15 per cent?

**Mr. Hines:** Ten to 15 per cent.

**The Chairman:** Reduction?

**Mr. Hines:** Reduction. But we are attempting—

**The Chairman:** So your substitutes would be one of the factors in the depression in the lumber business?

**Mr. Hines:** Absolutely. It is a combination of circumstances which brings us to our present condition.

**The Chairman:** Is that growing, in your judgment?

**Mr. Hines:** I think in some lines. For instance, the box manufacturing business. I think it has reached its growth. We are attempting to bring that up with the classification committees and have up now with the Interstate Commerce Commission a request that they keep a list showing causes of loss and damage—they claim there is \$40,000,000 lost per year in loss and damage claims. And we are contending, and I think justly so, that a large amount of that is lost through handling the goods put up in substitute packages like paper. We are asking them if they can separate it for a period, to see how much the loss would be in wooden packages. We are co-operating with the box manufacturers. We have no direct interest in the box manufacturers, but we have a wonderful indirect interest, because they are large users of our raw material.

**The Chairman:** How recently has this substitution of other products for lumber come into the lumber trade as a factor?

**Mr. Hines:** Well, it has been growing gradually, I should say, during the last seven or eight years.

**The Chairman:** Is the percentage of growth annually as large?

**Mr. Hines:** No, I do not think so. I think the advertising mediums are attempting to exploit and explain to the consumers a very much larger amount than the actual figures will show.

**The Chairman:** Has your organization started any investigation looking to see how much value there is in metal fencings, metal sashes and steel garages and steel forms for concrete construction, metal lath, culverts, and all that sort of thing?

**Mr. Hines:** We have just started a department having that in view. It has taken us some time to raise the necessary amount of money, but through the administration of our present President, Mr. Downman, he has been very successful and we have just raised a sum sufficient for the next five years to enable the management of the National Lumber Manufacturers' Association to look into those questions and prepare a proper offset in their advertisements.

**Mr. Keith:** I would like to ask if it is not true that the use of cement in construction as a substitute for wood requires the use of a large amount of lumber for forms?

**Mr. Hines:** It has been estimated by various engineers and contractors in this city, where a large amount of cement is used, that almost the same quantity of lumber of a common character of lumber is used in the forms, and which are only used once, as if the construction was built of brick or stone, so that so far as cement is concerned, I think I am safe in saying it does not affect our business more than ten to fifteen per cent.

**Mr. Keith:** Is it not true, taking the census house-to-house report for 1909, and the subsequent reports which were mail census reports, that the figures back show no diminution of lumber consumption per capita in the United States?

**Mr. Hines:** The best figures obtainable do not show much over five per cent. That is a very small difference.

**Mr. Keith:** Do you not think that five per cent is more due to the depression in business rather than to the campaign of substitutes?

**Mr. Hines:** We are positive on that point. For instance, the great railroads of the United States have been using very little lumber for the last two or three years; the larger corporations have been

depleting their stock and building in general has been less, so we are confident that if we had a normal condition of affairs the same amount of lumber per capita would have been used as heretofore.

**The Chairman:** Have they tried concrete foundations for railroads, that is, railroad ties? Have they been successful?

**Mr. Hines:** Well, that I could not say in a practical way, except just in general talks with the railroad engineers, and they claim it is too rigid, too jolty.

**The Chairman:** There is not any encroachment in that line?

**Mr. Hines:** No, not at present.

**The Chairman:** That is a very extensive part of your market?

**Mr. Hines:** Yes, railroad ties are a tremendous factor in the industry.

**Mr. Keith:** In your figures of \$105,000,000 loss of revenue to the railroads, by reason of waste of forest products, what proportion of that do you figure goes normally to the cost of transportation in the form of labor?

**Mr. Hines:** I think fully 50 per cent would go into that.

**Mr. Keith:** Then there would be a loss to labor in the future of \$50,000,000?

**Mr. Hines:** Fully \$50,000,000, which is a loss to the American citizens.

**Mr. Downman:** The next gentleman on the program is Mr. E. B. Hazen, representing the West Coast of Washington and Oregon on conditions in that particular territory.

## STATEMENT OF E. B. HAZEN, REPRESENTING WEST COAST LUMBER MANUFACTURERS' ASSOCIATION

Gentlemen of the Commission:

Knowing that your honorable body is shortly to hold a hearing on the Pacific Coast, the West Coast Lumber Manufacturers Association did not prepare a very voluminous statement. In fact I was sent on here on a few hours' notice, without any preparation. En route I drew up a few remarks which cover a personal point of view entirely. I want to beg your indulgence while reading them, but first desire to comment upon the documents prepared by our Association, mailed to me here, and which are in your hands, labeled Exhibits "A" to "H," inclusive.



## Timber

Exhibit "A" is made up to show the timber situation as to public and private holdings, and the extensive timber interests West of the mountains in Washington and Oregon. The Pacific Northwest holds 1,500 billion feet of timber—about 57% of the country's stand—and 85% of this is West of the Cascades. When this is considered it is easy to comprehend the extreme seriousness of the present lumber depression and its effect upon the general business conditions in Oregon and Washington with its greatest industry almost paralyzed—an industry upon which 60% of the people are dependent.

An item in Exhibit "A," to which we desire to particularly refer is the indication that the Government owns about one-third of the timber of the West, and consequently the public is as heavily an interested partner in this bad situation.

## Curtailment

Exhibit "B" shows that in 1913 about 75% of the ten hour capacity was in operation, but now, however, only about 30% of this capacity is turning over.

Exhibit "C" has to do with taxes on timber, showing the enormous increased burden of taxes. These figures are taken from actual tax assessments on certain sections. Please note some of the increases from 1904 to 1913 are 405%, 260%, 364%, 1057%, 734%, etc. Please note also, for example, that in Chehalis County, Wash., one of the heaviest timbered counties on the Pacific Coast, in 1908 the valuation on timberlands was seven million dollars, carrying 49 $\frac{1}{3}$ % of all taxes, and in 1912, after four years of cutting, the valuation is placed at fifteen million dollars, and timber is still carrying 47 $\frac{1}{3}$ %, while personal property has increased 50% in valuation, and its percentage of tax burden has decreased from 14 $\frac{1}{2}$ % to 10 $\frac{1}{4}$ %. The tax question is a very serious one to us in the Pacific Northwest.

## Costs and Selling Price

We are particularly fortunate in that we are able to present to you copies of the following:

Exhibit "E"—Composite Logging Costs, Puget Sound.

Exhibit "F"—Composite Selling Price and Manufacturing Cost Statements—six representative plants.

Also following Exhibit "F" you will find a copy of Composite Cost Statement covering twenty representative sawmills. (Exhibit G.) All of the data revealed in these two Exhibits (including the twenty mill composite statement) is taken from the report of Mr. Austin Cary, who has been conducting a study of the Pacific Northwest lumber industry for the Departments of Agriculture and Commerce for some months past.

We can furnish you with certified copies of all these findings over the signature of Mr. Cary's accountant, Mr. McIntosh, if you desire them.

Exhibit "H" shows graphically for three years, the production, shipments and prices from 80 mills.

Exhibit "F" indicates an actual loss of \$1.84 per thousand feet to Pacific Northwest manufacturers on a \$10.74 cost and \$10.90 selling price. This is considering \$2 as the average cost of stumpage today. This is without allowing them any interest whatever on investments in plants and other equipment, nor on capital invested in stocks and accounts. This would net an actual loss besides sacrificing interest to the manufacturers of these two States for 1915 of twelve million dollars on a normal ten-hour output.

Now, with your permission we will proceed to a few remarks on suggestive helps, which are made, as I said before, from a purely personal viewpoint.

### Suggestions for Possible Remedies

I will comment upon five of the most important helps as I view them in which it would seem that your honorable body could assist the industry.

(1) Devise means for securing minimum selling price not less than cost of production.

(2) Establishment of merchant marines, so we can compete with tonnage under other flags.

(3) Consideration of Canadian competition.

(4) Withholding of Government stumpage from the market as much as possible.

(5) Favorable recommendation for co-operative exploitation and selling of lumber both at home and abroad, through sales companies.

## Means for Securing of a Minimum Selling Price Not Less Than Cost of Production

There were 46,000 active sawmills in the United States in 1909 according to the Government Census. 45,000 of these mills produced half the lumber, and only 1,000 the other half. It would seem that permission by the Government should be given to the lumber manufacturers to co-operate to curtail output, and to maintain a cost price so as to secure a 6% return to the capital invested, or even that the Government should make such co-operation compulsory. It would be difficult of accomplishment through voluntary co-operation. 45,000 small and inefficient units, 33,000 of which produce only 200 cars of lumber per year each, and 12,000 of which, only twenty cars each annually, cannot be brought to such co-operation.

**The Chairman:** Just a minute; what percentage of the total output do those small mills that you have just described, produce?

**Mr. Hazen:** 45,000 produce one-half and the other 1,000 produce the other half.

**The Chairman:** 45,000 produce half?

**Mr. Hazen:** 45,000 produce half the lumber, and 1,000 the other half, and of the 45,000, 33,000 only produce 200 cars a year, and 12,000 twenty cars each.

Because of the substantial inroads being made by substitute materials, it is a fact that lumber manufacturing must develop from the crude harvesting of nature's crop to a higher efficiency, large scale manufacturing, waste utilizing and modern merchandising business means that such action on the part of the Government as suggested is of vital necessity.

The Government investigator, now on the Pacific Coast, finds that lumber must bring \$14.00 to \$15.00 per thousand feet average at the mill to return 6% on taxes and fire patrol on the raw material investment in the tree, and 12% on the investment in equipment, stocks, etc. Lumber is now selling for \$9.00 to \$10.50 per thousand feet at the mill. If the sale of the product at not less than \$15.00 that could be accomplished through compulsion, or even perhaps through co-operation in the interest of not only the lumbermen, but of labor, which represents 80% of the cost of lumber at the mill, and in the interest of the public, because of the fact that a natural resource is being destroyed without a just return to the community depending upon it. What would be the practical result? The minimum price would be the price at which lum-



ber would be sold, and the dealer would have a stable market, which he desires. The factor of speculation with him would be eliminated. Then there would be a scramble for existence among manufacturers, just as today, and the fittest would survive, but the scramble would be on a different basis entirely. At present the fittest is the one who can stand to lose money in the largest quantities, or he who buys out the bankrupt at 50c on the dollar, but with a loss to the entire community of the producing zones of both the fit and the unfit, because of reduced wages, operating short time, or not at all, and resultant community suffering. In Oregon where normally we cut two billion feet, 62% of the laboring men have been dependent upon the lumber industry directly, and today not over 30% of the sawing capacity is active, with about six hundred million being cut.

With the cost as a compulsory minimum price there would be a stimulation at once in merchandising activities. The lumber maker would have to develop into a merchant manufacturer. In order to develop trade in the field, he would have to place high type, energized salesmen out to sell goods not only to dealers and large industrial trade, but they would be forced to broaden the scope of their efforts to include stimulation of consumption of lumber. They would interest themselves in securing fair building codes, in silo use, in wood block pavements, in mill constructed buildings, in the frame type of house construction, in the newly platted suburban additions. They would be fortified by literature from their home offices. It would still be the survival of the fittest, but the fittest would be the most efficient, not the most inefficient, as now. But before this sort of activity could be undertaken, the producing units would have to be large, or sell through one source, because a small output cannot sustain such merchandising effort. A compulsory price would force the consolidation of now small, independent producers into ownerships, making from three hundred to five hundred million per year, or into co-operative agencies, so that they could engage in the battle for survival, and the battle would be one of efficiency, not price cutting. Of course, if the minimum price arrived at is based upon the average cost of stumpage, then the manufacturers now owning the lowest cost stumpage would have some advantage, but they would have to hold their own in the efficiency fight and the higher cost stumpage owner would be stimulated to greater effort to hold his own in selling the product. When it came to over-production, and necessary curtailment, the low cost stumpage owner could out-produce the highest cost owner, provided he was as able as his competi-

tor in marketing. Would not this process of elimination be more equitable and fair than the grinding of wheels now in progress?

Of nearly as great importance as the necessity of better selling methods, is the necessity for more scientific manufacturing, logging and waste utilizing. Now fully 15% of the logs of low grade are left upon the ground. Large scale producing units would accomplish this also through modern departmentizing in charge of highly skilled department heads, as contrasted with the now usual one-head small operation.

This situation is more true of the Pacific Coast than in the South. There are larger operations in the South.

**The Chairman:** Do any of the large concerns utilize by-products now and save any of this waste?

**Mr. Hazen:** The larger concerns work their logs a great deal closer. They are not utilizing the by-products exactly, any more than that they have better equipment and work their stock up into special things.

**The Chairman:** Do they have these departments of efficiency?

**Mr. Hazen:** The big concerns do, yes. We have very few on the Pacific Coast. They are almost all small mills, not small in capacity, they cut from 10,000 to 12,000 feet an hour, but they are individual heads.

The evolution of the lumber business is going to be along these lines regardless of Government assistance, but without their assistance in the establishment of a minimum price, it spells a long, drawn-out, cruel process of elimination via the Sheriff's office, with the survivors consisting of the lowest cost stumpage owners, the large acreage owners, and those of the long pocket book variety through the slow process of losing prices until the weak ones are exhausted.

The other route would save many because intense merchandising, made possible through large scale producing ownership, would increase the consumption of material.

Some contend that a guaranteed price would invite establishment of many more operations, and thus increase production. Possibly so, but they would have to be large and efficient, and would require heavy investments. They could not be opened up on every 160 acres, with small plants, because they could not merchandise nor compete in producing or utilizing.

The stumpage must get into competent ownerships, which are not obliged to realize at once. Small ownerships should pool with larger, so that stumpage can be held and not forced upon a market which

cannot absorb it. The plan outlined above would have a tendency to bring about such a condition.

In 1909 our per capita lumber consumption in the United States was 500 feet; in Germany, 48 feet. In 1913 our consumption in this country had fallen to 425 feet per capita, and we will show a greater decrease, even though we can hold much up by proper selling and promoting work.

One very vital point not generally understood by the public is the large item of freight involved in the delivered price of lumber. Lumber now selling at mills at \$6.00 rough, has a freight item of \$18.25 per thousand feet added before reaching Chicago.

### **Establishment of Merchant Marine, So That We Can Compete With Tonnage Under Other Flags**

Our Marine laws should be amended so that we can compete with vessels under foreign flags.

Our Marine laws should be amended so that we can purchase ships anywhere, and operate them under our flag, both off shore and between the Pacific and Atlantic Coast.

Railroad owned ships should be permitted to operate through the Panama Canal from coast to coast.

The manufacturers of the Pacific Northwest are hoping that your honorable body will concentrate its efforts upon the export situation when the hearing is held in the State of Washington early in August.

### **Consideration of the Support British Columbia Gives the Industry.**

British Columbia holds about the same quantity of stumpage as the State of Washington. It holds about 60% as much stumpage as the State of Oregon. We have no comparative figures showing the stand of Cedar in Washington as compared with British Columbia, but in Oregon statistics show that there is only 2% of Cedar, while in British Columbia there is 34%. Washington has a great deal more Cedar, however, than the State of Oregon. These figures are given to show what a wealth of Cedar available for shingles is standing in the British Columbia forests.

In 1898, the year following the restoration of the Dingley Tariff, exports to the United States on lumber from British Columbia decreased 60%. The cut decreased from 880 million for the last year of free trade to 350 million for the first year of protection.



The forest laws passed in Canada March 4, 1914, provided that 85 cents per thousand feet shall be the royalty collected by the Government on timber of No. 1 and No. 2 quality in Douglas Fir when cut. Fifty cents per thousand feet shall be the royalty on other species. East of the mountains it ranges from 50 cents to 65 cents. The royalty is to be increased for five-year periods by amounts equivalent to different percentages, if any, in the average selling price of lumber over \$18.00 per thousand feet. The rentals in British Columbia are about the equivalent of the present tax in Oregon and Washington per thousand feet, but same are fixed, and are not subject to advances, hence the British Columbia Government reasons that with a stumpage cost of 85 cents, a selling price of \$18.00 for lumber is necessary to sustain the industry. In the States of the Pacific Northwest today, Douglas Fir stumpage represents an investment of about \$2.00 per thousand feet, and must be compounded annually at 6%, and the selling price of lumber is from \$9.00 to \$10.50. Much stumpage now owned in British Columbia is possessed by men who have paid an advance over the fixed costs, and some experts contend that the cost of the log at the mill there is as much as on this side. They also contend that the cost of manufacture is 20% more. If this is true, and the analyzation of the British Columbia Government of their lumber industry were applied to our situation, a selling price of \$17.00 would be considered necessary on the same basis of calculation to net the industry over here, 10% on its investment.

They are bound to continue under free trade to supply the shingle business, for they have a great wealth of excellent cedar stumpage. They also market large quantities of pulp on this side. For the year ending June 30, 1914, 472 million feet of lumber was exported from the United States to Canada, while 892 million was exported from Canada into the United States. Then the tariff bars were lowered, and the first nine months of free trade the imports into this country increased on lumber 546%, and on shingles, 139%. For the last nine months of protection there were thirty million shingles imported through the Puget Sound gateway, while for the first nine months of free trade, there were two hundred million imported.

Under our shipping laws, British Columbia can ship to any port in the United States in cheaper vessels, with smaller crews, lower wages, and can beat us from 20 to 25%. Their rail rates into this country are the same as from the Columbia River and Puget Sound districts to Eastern points of the United States, and with a water freight of \$3.00

per thousand less to the Atlantic Seaboard they have a decided advantage. Therefore, on shingles, because of superior quality and larger quantity of logs, they have the better of us, and they have also a distinct advantage on Atlantic Seaboard shipments on all forest products. There seems to be a difference of opinion as to whether or not they have an advantage at the present time on lumber cost, however, if they have not now, they soon will have, and it will be constantly increasing because of their guaranteed stumpage cost, and tax rate as against our six per cent compounded interest on actual investment in trees and our ever increasing taxes.

### **Withholding of Government Stumpage From the Market as Far as Possible**

One-quarter of the trees in this Nation are within Government reserves. The practice of selling timber to manufacturers on the present system where the operator has no large investment in raw material and no interest accumulating makes the mill operators under these conditions the hardest competitors we have. The system simply places our own Government in competition with us.

### **Favorable Recommendation of Coöperative Exploitation and Selling of Lumber Abroad**

No one company produces sufficient lumber to warrant cost of maintaining direct representation, nor of carrying the large accounts abroad in all foreign countries.

Practically all lumber exported from the Pacific Coast today is bought by brokers, who are interested only in it as a speculation. They do not do creative work in building up demand, but simply fill the required demand. It will be necessary for the producer to do the market development work. An effort is being put forth now to organize a corporation under the title of the Douglas Fir Lumber & Exploitation Company. It is intended to be a co-operative effort to not only sell, but to actively exploit the woods in foreign countries through direct representatives.

A similar plan for marketing the product domestically, if permitted, might serve as a solution of our problem, and we would urge your consideration of this also.

**EXHIBIT A**

**Table in Part 1, Report Commissioner of Corporations on Lumber Industry. Total Standing Timber in Pacific Northwest.  
(In Billions of Feet.)**

	Total	Privately Owned	Not Privately Owned.	
			Nat'l Forests	All Other
Pacific Northwest .....	1,512.9	1,013.0	440.8	59.1
California .....	381.4	248.1	114.4	18.9
Oregon .....	545.8	398.1	135.8	11.9
Washington .....	391.0	294.6	81.6	14.8
Idaho .....	129.1	50.4	71.0	7.7
Montana .....	65.6	21.8	38.0	5.8

Douglas Fir constitutes 50% of all above; Western Pine, 15%; Redwood, 10%.  
No other species as much as 6% of total.

Heaviest stand of timber is on Pacific slope West of Cascades.

867 billion feet West of Cascades

146 billion feet East of Cascades

1013 billion feet total

Amount West of Cascades 85%.

Privately owned timber in whole State of Washington.....	294.6
Privately owned timber West of Cascades .....	270.5
Privately owned timber in whole State of Oregon.....	398.1
Privately owned timber West of Cascades .....	348.5

Privately owned standing timber in Oregon and Washington West of Cascades by species from table 9, page 72, Part 1 of the Bureau of Corporations on the Lumber Industry.

	Fir	White Pine	Western Pine	Sugar Pine
Oregon West of Cascades.....	269.7	12.	17.5	9.3
Washington West of Cascades .....	186.1	...	.2	...

Redwood	Cedar	Hemlock	Spruce	All Others	Total
....	12.2	23.8	10.1	5.7	348.5
....	36.4	32.8	8.6	6.4	270.5

**EXHIBIT B**

Listed 10-hour capacity of sawmills West of Cascade Mountains  
in Washington and Oregon ..... 24,012,000 ft.  
Estimating 24 days a month, 12 months..... 288 days

Total yearly capacity, single shift, 10 hours.....6,915,456,000 ft.



Wash. cut, 1913.....4,592,053,000 ft.  
 Estimated East of  
 Mountains ..... 800,000,000 ft.

Wash. West of  
 Mountains cut ..... 3,792,053,000 ft.

Oregon cut, 1913.....2,098,467,000 ft.  
 Estimate East of  
 Mountains ..... 250,000,000 ft.

Oregon West of  
 Mountains cut..... 1,848,457,000 ft.

Total Wash. and Ore. cut West of Mountains.....5,640,520,000 ft.  
 Cut less than capacity .....1,274,936,000 ft.

## EXHIBIT C

### Cowlitz County

Assessed valuation and amount of taxes levied for years 1904 to 1913, inclusive.

Section 3, Twp. 8 N., Range 1 E., 674.22 Acres.

Year.	Valuation.	Amount of Taxes.	Rate Mills.
1904 .....	\$ 4,044.00	\$ 155.69	38.5
1905 .....	4,040.00	153.52	38.
1906 .....	9,480.00	321.37	33.9
1907 .....	9,480.00	341.28	36.
1908 .....	31,200.00	748.80	24.
1909 .....	31,200.00	936.00	30.
1910 .....	18,720.00	570.96	30.5
1911 .....	18,720.00	617.76	33.
1912 .....	18,720.00	580.32	31.
1913 .....	18,720.00	786.24	42.

Increase in valuation, 362%; increase in taxes, 405%.

For 1914 this section is valued at \$16,322.00. Amount of taxes, \$661.04. Rate, 40.5 mills.

County Cruise—30,030 M. Fir, good quality; 1,170 M. Cedar; 2,892 M. Hemlock.

Section 12, Twp. 7 N., R. 2 E., 640 acres.

Year.	Valuation.	Taxes.	Rate.
1904 .....	\$ 6,400.00	\$ 201.60	31.5
1905 .....	6,400.00	236.80	37.
1906 .....	12,800.00	357.12	27.9
1907 .....	12,800.00	396.80	31.
1908 .....	15,826.00	427.30	27.
1909 .....	15,826.00	474.78	30.
1910 .....	21,764.00	642.04	29.5
1911 .....	21,764.00	605.27	37.
1912 .....	21,764.00	805.26	37.
1913 .....	21,764.00	924.97	42.5

Increase in valuation, 240%; increase in taxes, 260%.

For 1914 this section is valued at \$21,764.00. Amount of taxes, \$848.80. Rate, 39. mills.

County Cruise—54,410 M. Fir, good quality; 1,405 M. Hemlock.

Section 8, Twp. 8 N., R. 2 E., 640 acres.

Year.	Valuation.	Taxes.	Rate.
1904 .....	\$ 9,600.00	\$ 321.60	33.5
1905 .....	9,600.00	316.80	33.
1906 .....	9,600.00	306.24	31.9
1907 .....	9,600.00	297.60	31.
1908 .....	13,635.00	395.41	29.
1909 .....	13,635.00	463.59	34.
1910 .....	34,200.00	1,008.90	29.5
1911 .....	34,200.00	1,162.80	34.
1912 .....	30,500.00	976.00	32.
1913 .....	30,500.00	1,494.50	49.

Increase in valuation, 217%; increase in taxes, 364%.

County Cruise—34,089 M. Fir, good quality; 111 M. Cedar; 2,689 M. Hemlock.

For 1914 the section is valued at \$14,217.00. Amount of taxes, \$554.46. Rate, 39. Mills.

### Pacific County

Assessed valuation and amount of taxes levied for the years 1904 to 1913, inclusive.

Sec. 27, Twp. 15 N., R. 6 W., 640 acres.

Year.	Valuation.	Taxes.	Rate.
1904 .....	\$ 2,560.00	\$ 112.64	44.
1905 .....	2,560.00	112.64	44.
1906 .....	11,520.00	472.30	41.
1907 .....	11,520.00	430.16	37.34
1908 .....	17,320.00	406.91	23.5
1909 .....	17,320.00	665.10	38.4
1910 .....	15,790.00	615.81	39.
1911 .....	17,320.00	692.80	40.
1912 .....	35,175.00	937.41	26.65
1913 .....	34,765.00	1,303.69	37.5

Increase in valuation, 1,258%; increase in taxes, 1,057%.

County Cruise—

32,787 M. Fir; good quality.

4,445 M. Cedar; good quality.

1,308 M. Spruce; short and scrubby.

925 M. Hemlock; poor quality.

### Lewis County

Assessed valuation and amount of taxes levied for the years 1904 to 1913, inclusive.

Sec. 13, Twp. 11 N., R. 4 W. 640 acres.

Year.	Valuation.	Taxes.	Rate.
1904 .....	\$ 3,420.00	\$ 95.96	28.
1905 .....	3,420.00	106.02	31.
1906 .....	4,260.00	129.93	30.5
1907 .....	8,520.00	255.60	30.
1908 .....	20,370.00	397.21	19.5
1909 .....	20,370.00	611.10	30.
1910 .....	16,296.00	513.35	31.5
1911 .....	20,370.00	587.48	28.84
1912 .....	20,370.00	672.21	33.
1913 .....	20,370.00	800.55	39.3

Increase in valuation, 495%; increase in taxes, 734%.

County Cruise—

40,283 M. Fir; good quality.  
8,172 M. Cedar; good quality.  
415 M. Hemlock.

Sec. 15, Twp. 11 N., R. 4 W. 640 acres.

Year.	Valuation.	Taxes.	Rate.
1904 .....	\$ 6,530.00	\$ 182.84	28.
1905 .....	6,530.00	202.43	31.
1906 .....	8,130.00	247.97	30.5
1907 .....	16,260.00	487.80	30.
1908 .....	27,960.00	545.22	19.5
1909 .....	27,960.00	838.80	30.
1910 .....	22,367.00	704.60	31.5
1911 .....	27,960.00	806.37	28.84
1912 .....	27,960.00	922.68	33.
1913 .....	27,960.00	1,098.82	39.3

Increase in valuation, 328%; increase in taxes, 500%.

County Cruise—72,585 M. almost all good Fir.

### Snohomish County

Assessed valuation and amount of taxes levied for years 1904 to 1913 inclusive.

Section 18, Twp. 32 N., R. 9 E.

(506.78 acres up to 1909 and 568.55 acres—full section, thereafter.)

Year.	Valuation.	Taxes.	Rate.
1904 .....	\$ 4,800.00	\$180.40	37.5
1905 .....	4,800.00	181.41	37.7
1906 .....	8,920.00	205.16	23.
1907 .....	14,070.00	413.66	29.4
1908 .....	9,130.00	447.22	49.
1909 .....	12,370.00	324.06	26.2
1910 .....	12,370.00	554.17	44.8
1911 .....	12,370.00	455.23	36.8
1912 .....	12,370.00	444.09	35.9
1913 .....	12,370.00	616.01	49.8

Increase in valuation, 129%; increase in taxes, 211%.

### Skagit County

Assessed valuation and amount of taxes levied for years 1904 to 1913 inclusive.

Section 19, Twp. 33 N., R. 10 E., 641.76 acres.

Year.	Valuation.	Taxes.	Rate.
1904 .....	\$ 4,217.00	\$124.41	29.5
1905 .....	4,217.00	145.50	34.5
1906 .....	4,252.00	116.95	27.5
1907 .....	4,250.00	131.76	31.
1908 .....	4,660.00	137.55	29.5
1909 .....	4,660.00	164.04	35.2
1910 .....	4,675.00	165.99	37.6
1911 .....	4,675.00	200.55	42.9
1912 .....	4,675.00	177.60	38.
1913 .....	4,675.00	229.09	49.

Increase in valuation, 10%; increase in taxes, 84%.



## Whatcom County

Assessed valuation and amount of taxes levied for years 1904 to 1913 inclusive.

Section 24, Twp. 37 N., R. 5 E., 640 acres.

Year.	Valuation.	Taxes.	Rate.
1904 .....	\$ 3,840.00	\$103.68	27.
1905 .....	3,040.00	103.68	27.
1906 .....	7,040.00	165.44	23.5
1907 .....	7,040.00	204.16	29.
1908 .....	22,070.00	430.36	19.5
1909 .....	22,070.00	551.75	25.
1910 .....	24,310.00	686.75	28.25
1911 .....	24,310.00	624.77	25.7
1912 .....	26,080.00	724.06	27.7
1913 .....	26,080.00	989.48	38.

Increase in valuation, 576%; increase in taxes, 862%.

County Cruise—11,830 M. Fir; 15,720 M. Cedar; 2,190 M. Hemlock.

## EXHIBIT D

## Chehalis County

Comparative statement showing valuation and percentage of assessment on each class of property as equalized for the years 1908, 1910, 1912 and 1914:

	1908.		1910.		1912.	
	Valuation.	Percent.	Valuation.	Percent.	Valuation.	Percent.
Timber lands .....	7,374,949	49.33	8,874,712	47.19	15,718,118	47.38
Other unimproved lands	516,845	3.46	886,756	4.71	1,710,227	5.15
Improved lands, incl. improvements .....	352,884	2.36	428,395	2.28	1,912,230	5.77
City and town lots, incl. improvements .....	3,566,412	23.85	5,345,122	28.42	7,287,600	21.97
Personal property.....	2,173,130	14.54	2,405,320	12.79	3,401,643	10.25
Public service corpora- tions (railways, st. rys. and telegraphs)	966,298	6.46	866,996	4.61	3,144,958	9.48
Totals .....	14,950,518		18,807,301		33,175,776	

## Chehalis County

Valuations and percentage, as equalized.

	1914.	
	Valuation.	Percent.
Timber lands .....	20,743,593	49.52
Other unimproved lands.....	1,203,697	2.88
Improved lands, including improvements.....	2,707,216	6.47
City and town lots, including improvements.....	7,875,922	18.80
Personal property .....	5,479,960	13.08
Public service corporations (railways, st. railways and telegraphs.)	3,876,272	9.25
Total .....	41,886,660	

## EXHIBIT E

The following statement, subject to the notes appended, gives the results of a study by representatives of the Forest Service of the cost of delivering logs into Puget Sound. This work is part of the general study of the lumber industry of the Pacific Northwest which is being made by the departments of Agriculture and Commerce. Cooperation on the part of the industry, without which nothing of this kind could have been done, was courteously extended and is heartily appreciated by the Forest Service.

## Average Cost of Delivering Logs from Tree to Puget Sound

(Embodying the figures from twenty camps.)

## Output (1913) and Investment.

Percent of total output (approximate).....	75%
Average year's output per camp.....	45,000,000 ft.
Average day's output per camp.....	200,000 "
Average fixed investment.....	\$140,000
Average working capital.....	35,000
Average labor cost per M. ft.....	3.09

## Cost per M. ft. Log Scale.

1. Felling and bucking, labor.....	\$ .683
2. Woods to car, labor.....	1.259
3. Railroad (spur) and pole construction, labor.....	.586
4. Train crews, labor.....	.206
5. Dumping and rafting (includes contract work).....	.211
6. Supplies and maintenance (labor and material) of railroad, dump and boom .....	.177
7. Supplies and maintenance (labor and material) of equipment, tools, buildings, etc.....	.307
8. Fuel of locomotives, logging engines, shops, etc.....	.239
9. Wire rope .....	.137
10. Depreciation, equipment .....	.24
11. Depreciation main line railroad grade, boom and buildings.....	.066
12. Scaling .....	.049
13. Return of boom sticks.....	.046
14. Log freight .....	.882
15. General expense:	
Salaries and commissions.....	\$ .139
Taxes .....	.029
Industrial insurance .....	.096
Sundry expenses .....	.076
	.340

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Total average cost per M. log scale.....\$5.428

This statement does not include the cost of stumpage, interest of any kind, discounts on logs sold, towage to mill, or taxes on standing timber. It is intended here to include only the cost of transforming, transporting, and sorting the logs, taking them to the point of sale for straight loggers. Stumpage and the taxes on timber will be handled in another section of the work. Discounts have been looked on as more closely related to realization than to cost of logging. Interest, whether on capital invested or on borrowed money, complicates the matter of cost and is most clearly considered as related to profit.

The classification of costs given in the statement should not be looked on as ideal. It is in fact an expedient. In collecting the data the classification of the companies was followed of necessity; later, in compiling the figures, they were thrown into the best groups that could be made. The main purpose was to arrive at an average total cost figure. This the segregated figures will serve to illuminate.

The aim was to make the statement self-explanatory, but brief additional explanation seems to be required. This will be clearer for a brief statement of the transportation relations of the camps.

The average haul by railroad to water is 23 miles, while 4 is the minimum. A few of the concerns have their own railroads reaching to point of delivery in the Sound, but most logs are hauled for a longer or shorter distance on common carrier railroads. Items 4, 11, and 14, with others in less degree, are materially affected by this fact, are of doubtful value when taken separately, and comparison of any one camp's cost with the average would have little point.

The term "Salaries" refers to the pay of Superintendents and that of bookkeepers, etc., at main offices detached from the woods. Following the practice of many camps, the pay of foremen, camp bookkeepers and scalers, time keepers, and other general help is thrown pro rata into the cost of the major operations, falling and bucking spur construction, etc., and it is also included in total labor cost.

Item No. 2 includes the labor cost of yarding, roading, loading, moving engines, running out lines, building landings, pumping water, etc.

Number 3 includes the cost of building spur railroads, and the small amount of pole roads employed in this region. In some cases all the railroad used is taken care of under this heading, or as in operating expense. This has the effect of increasing this item above the normal charge and decreasing Classification No. 11. Item 3 was a hard cost to take care of for the additional reason that in some cases the



costs from year to year varied greatly due to varying conditions in the "shows," to the time the work was done, and the method of accounting. Where this condition was found it was necessary to use a figure representing the average cost for several years rather than the cost for one year.

Number 5 includes the cost of sorting and rafting the logs, and some of the figures on which the cost was based include the cost of unloading. As a general thing, in fact, the cost of unloading is included. Over one-half of the amount given in the classification was paid to boom companies who do the work at a fixed rate per M. feet, the balance representing the amount paid to labor by the logging or lumbering companies.

## EXHIBIT F

### NET AVERAGE SELLING PRICES

#### Reports from Six Cargo and Rail Mills.

(Cost of selling, commissions, discounts, etc., deducted from gross selling prices, giving net figures here.)

1910.	1911.	1912.	1913.	1914.	1915.	(6 months)
14.30	12.35	13.21	13.64	11.18	10.90	
Cost of logging (composite statement).....						\$ 5.43
Cost of manufacturing (composite statement).....						5.06
Towage estimated .....						.25
Total producing cost .....						<u>\$10.74</u>

### NET AVERAGE SELLING PRICES

#### Reports from Six All Rail Mills.

(Cost of selling, commissions, discounts, etc., deducted from gross selling prices, giving net figures here.)

1910.	1911.	1912.	1913.	1914.	1915.	(6 months)
14.45	12.78	13.69	12.73	11.29	10.06	
Cost of logging (composite statement).....						\$ 5.43
Cost of manufacturing (composite statement).....						5.66
Total producing cost.....						<u>\$11.09</u>

Interest on plant, equipment, capital and stumpage and taxes on stumpage not included in above cost figures. Also no stumpage included.

## EXHIBIT G

**Report on Composite Statement of the Cost of Manufacturing Lumber  
Compiled for West Coast Lumber Manufacturers Association**

JOHN G. MCINTOSH, CERTIFIED PUBLIC ACCOUNTANT  
844 HENRY BUILDING, SEATTLE, WASH.

Seattle, Wash., February 27, 1915.

The following comprises my formal report on the Composite Statement of the Cost of Manufacturing Lumber, compiled in pursuance of instructions of a committee of the West Coast Lumber Manufacturers' Association.

Requests for cost figures for the year 1913 were sent to 66 mills, on a list supplied by the Association's manager. The request in each case was accompanied by a copy of the "Plan of Obtaining a Composite Statement of the Cost of Manufacturing Lumber." This included a form of cost statement with explanations showing the particular expenses to be included in each item of the cost, together with forms prepared especially to facilitate rearranging or redistributing the cost accounts of the various mills on a uniform basis.

28 mills contributed statements. The failure of the other 38 mills to do so was undoubtedly owing in most instances to pressure of regular office routine making it impossible to revise the old cost accounts to fit the uniform statement.

The committee authorized the auditing of the statements received. It was found inadvisable to check eight of them, for the following respective reasons:

(1) Would require some checking at San Francisco. (2) None of present office force was employed in 1913, and they being unfamiliar with the cost accounts of that year it was felt that an audit of the statement might consume too much time. (3) Did not operate in 1913, but their offer to furnish complete figures for the first half of 1914 was accepted. It was, however, found undesirable to incorporate 1914 figures in a 1913 composite statement. (4) Had a very short run in 1913. (5) Statement was submitted on company's own segregation, which differed materially from that of the uniform statement. (6) Statement was not sufficiently complete to warrant checking. (7 & 8) Did not consent to examination of the books.

The remaining 20 statements were checked in co-operation with the Forest Service, and were combined in compiling a composite state-

ment. In this formal report the composite statement (after making some adjustments assented to by Mr. Cary, of the Forest Service) is separated into two parts shown on the following page—one representing mills that ship by rail and the other representing mills that ship both cargo and rail. If you furnished a statement, and it was audited, your individual averages are shown for comparison under the heading "Your Mill":

### Composite Statements of the Cost of Manufacturing Lumber

Embodying the figures of 20 mills in Washington and Oregon for the year 1913.

	Rail Mills.	Your Mill.	Cargo and Rail Mills.
Total cut .....	250,253,916 ft.		441,066,295 ft.
Average cut per mill.....	25,025,391 "		44,106,629 "
Total days run (incl. night shifts.....	2,540.5		3,289.8
Average days run per mill.....	254.		329.
Average cut per day per mill.....	98,499 ft.		134,076 ft.
Total number of men, day shift only..	1,244		2,004
Av. number men per mill, day shift only	124		200
Av. wages per day.....	\$2.76		\$2.68
Percentage of output surfaced.....	78%		44%

#### COST.

	Rail Mills. Avg. per M.	Your Mill. Avg. per M.	Cargo and Rail Mills. Avg. per M.
Boom labor .....	\$ .059		\$ .064
Boom repairs and supplies.....	.014		.011
Mill labor .....	1.463		1.416
Mill repairs and supplies.....	.593		.540
Total boom and mill.....	\$2.129		\$2.031
Planer labor .....	.590		.393
Planer repairs and supplies.....	.124		.087
Kiln labor .....	.192		.162
Kiln repairs and supplies.....	.019		.011
Total planers and kilns.....	.925		.653
Yard labor .....	1.143		1.112
Yard repairs and supplies.....	.113		.181
Total yard .....	1.256		1.293
Total direct operation.....	\$4.310		\$3.977
Salaries .....	\$ .358		\$ .286
Sundry expense .....	.180		.123
Industrial insurance .....	.082		.073
Fire insurance .....	.168		.125
Taxes .....	.079		.083
Total general expense.....	.867		.690
Depreciation .....	.480		.397
Total manufacturing cost....	\$5.657		\$5.064
Interest on plant at 6 per cent.....	.410		.434
Interest on lumber stock .....	.202		.119
Interest on log stock .....	.069		.069
Interest on accounts receivable .....	.092		.063
Interest on current cash .....	.017		.017
Total interest on working capital at 6 per cent.....	.380		.268
Total cost with interest.....	\$6.447		\$5.766



In considering the foregoing figures, the following comment should be borne in mind:

Cost of Logs and Cost of Selling are not included, excepting that Salaries and Sundry Expense cover the usual handling of sales in the office. The cost of commissions, separate sales offices, traveling salesmen, etc., is excluded. The Yard cost absorbs the handling of lumber sold at retail, the extra cost of which is small in a composite statement.

Lost accounts, which were not included in the cost, averaged  $6\frac{1}{2}c$  per M. on the cut for the rail mills and  $5c$  per M. for the cargo and rail mills. This included losses on local or retail sales for both classes of mills. It may be that there were further losses in the latter class, on accounts transferred to San Francisco.

Shipping expenses not common to all the mills have been excluded, such as scow rent and towing, switching to main line of railroad, etc.

Interest. To the "Manufacturing Cost" there is added the cost of the use of the money tied up in plant, logs, lumber, customer's accounts, etc., after allowing for amounts owing for pay-rolls, logs, and supplies. The portion of this money which is supplied by the stockholders might be invested in interest-paying securities if it were not laid out in the saw mill business, and the portion which is borrowed requires a direct cash expenditure for its use (interest). Therefore, while technical accounting would exclude interest from the manufacturing account, it is in fact a cost of conducting the business and is here shown in the cost per M. feet of lumber cut. The rate of 6% is used in the statement, though money to carry stock and accounts costs 7% and 8%.

It will be noted that for convenience the rate per M. for interests on logs and cash is the same for all of the mills, though the cargo shipping mills probably require a larger stock of logs per M. for their orders than do the rail mills.

Shut-downs and Night-runs. It will be observed that the average run of the rail mills furnishing statements was 254 10-hour days, and of the cargo and rail mills 329 10-hour days. The former class included the shortest run of all of the mills, and the latter class, so far as the data at hand indicates, included all of the night-runs.

Obviously the average cost per M. for General Expense and Interest on Plant is increased by shut-downs and reduced by night-runs. A comparison of costs should take this into consideration. Depreciation is affected similarly, unless based on the quantity of lumber cut.

Increase and Decrease of Stock on Hand. The cargo and rail

mills that furnished statements, cut approximately 20,000,000 feet more than they shipped. Since that portion of the year's cut would still have to be disposed of at the expense of subsequent operations, there should be added to the 1913 cost enough to cover handling, running through planers, etc., on the quantity of lumber unshipped. How much of it would require surfacing is a question; but to cover surfacing, handling, etc., there probably should be added to the above figures say 5c per M. on the total cut. This additional cost is of little importance in the composite figures; but mills comparing their individual statements with them should make due allowance for the disposal of any considerable increase or decrease of their stock on hand in the year 1913. This applies, of course, to the rail mills also, though their combined net increase of stock was only 700,000 feet. All expenses, including yard and planers, have been divided by the whole cut in arriving at the average costs.

**Shingle Cants.** In cases where the saw mill turned shingle cants over to a shingle mill, the displacement of lumber cut due to the shingle cants was determined as carefully as possible, based on information supplied by the mill, and the displacement so found was added to the apparent lumber cut and the yard cost adjusted accordingly, for the composite statement.

**Surfacing.** In most cases it was necessary to estimate the percentage of output surfaced, by tests of the sales, owing to inadequate records or unreliable planing mill reports.

**Number of Men and Average Wages.** This information cannot be reconciled with the other figures of the statement, owing to night-shifts and adjustments previously referred to.

**Cost Figures from Additional Mills.** It seems probable that the Government, i. e., the Forest Service, will continue the work of obtaining costs. If it does, a finer classification of the mills—a larger number of composite statements—may be made possible. The rail mills might be divided into three classes with respect to their capacities, say small, medium and large. The cargo-shipping mills also might be classified, separating from the others those that ship little or no lumber by rail. Any composite statements, however, would have to guard against the exposure of any mill's figures without its consent.

**Cost Segregation.** Following is a brief outline of the cost that is included in each item of the statement:

**Boom Labor.** Handling the logs after they are delivered in the mill boom, including delivery to the log haul.

*Book Repairs & Supplies.* Labor and materials used in repairs, supplies and small tools. Where found, the use of boats in shifting logs has been included.

*Mill Labor.* Hauls logs into mill and places lumber onto trucks from sorting chain. Includes power and portion of watchman's time. Millwrights are excluded, they being included in Mill Repairs and Supplies.

*Mill Repairs & Supplies.* Millwrights and other repair-labor. Repair material and all supplies. Includes power repairs and supplies.

*Planer Labor.* Takes lumber from trucks; surfaces, grades, ties and reloads it on trucks. Includes planers in saw mill, and power labor.

*Planer Repairs & Supplies.* Labor and material for repairs; supplies, including twine. Includes power repairs.

*Kiln Labor.* Loads kiln trucks, passes them through kiln, and unloads unless the kiln trucks are unloaded directly by the planer crew.

*Kiln Repairs & Supplies.* Labor and material used in repairs. Should also include cross-sticks used in piling lumber on trucks, but very few mills take account of this expense.

*Yard Labor.* Includes labor of transportation, piling, handling in sheds, loading, operation of cranes, etc. Broadly speaking, it covers all handling outside of the mill, kiln and planers.

*Yard Repairs & Supplies.* Labor and material used for repair of yard, wharf, sheds, etc. Includes use of horses, without teamsters.

*Salaries.* Administrative and office salaries, less allowances for logging and other departments.

*Sundry Expenses.* Covers office supplies, association dues, legal expense, donations, incidental traveling expenses, etc.

*Industrial Insurance.* Covers premiums, assessments, payments to injured, etc., excluding lath mill.

*Fire Insurance.* On plant, lumber, etc., excluding residences, stores, etc.

*Taxes.* On real and personal property directly connected with the manufacture of lumber. Excludes taxes on logging equipment, residences, stores, etc.

*Depreciation.* Depreciation in this statement is practically a composite figure of the depreciation found on the mills' books. The basis in some instances is a percentage of the plant value, in others is a lump sum, and in still others is a rate per M. feet of lumber cut. The ques-



tion of a proper charge for depreciation in the composite statement is still open for consideration.

*Repairs.* It is probable that some repair-labor has been included in the operating-labor accounts, particularly in the yard, where the time of men making repairs is not always separated from the operating labor. In some instances it was found that planking, spikes, etc., used in yard repairing had not been charged on the books.

The undersigned wishes to express, in this report, his appreciation of the hearty co-operation, and the freedom of access to confidential records, accorded him by the mills whose statements were checked.

Respectfully submitted,

(Signed) JOHN G. MCINTOSH,  
Certified Public Accountant.

### EXHIBIT H

**Mr. Hazen:** Have you any questions you would like to ask, gentlemen?

**Mr. Keith:** I would like to ask you, Mr. Hazen, if the per capita consumption of lumber has fallen off 50 feet per capita, if it will not have a tendency to extend the life of the property and to increase the interest cost of carriage of the timber? Have you ever considered that?

**Mr. Hazen:** Did I understand you to say that it had fallen off 50 per cent?

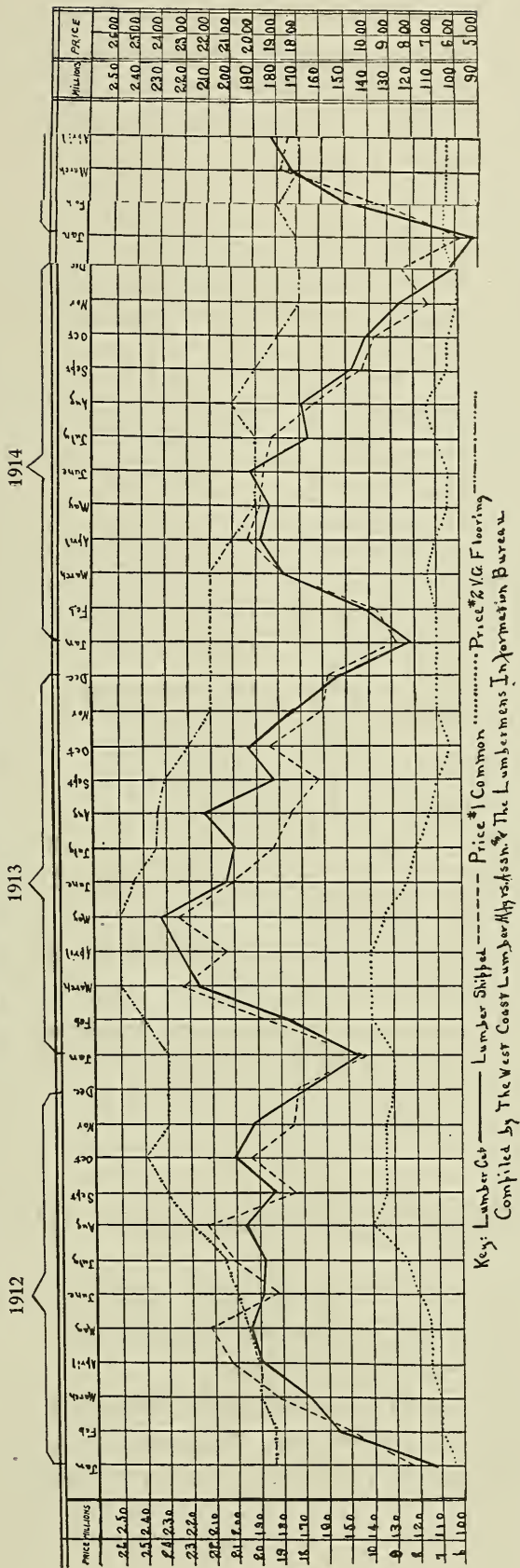
**Mr. Keith:** No, 50 feet per capita.

**Mr. Hazen:** Ten per cent.

**Mr. Keith:** I would like to ask if you have made some figures showing the increase in cost of stumpage purchased in 1890 to date.

**Mr. Hazen:** Yes, I made a calculation based on \$2.50 an acre for stumpage, our timber running about 50,000 to the acre on the coast, making 5 cents, which was the original price at which the timber passed from the government in 1890. I had that compounded up to 1915 at 6 per cent, and added one per cent for taxes and one per cent for administration, and I found that that stumpage today would stand the owner if there were any such, and I don't know of any operators who have any stumpage that has cost them as little as that—but it would stand them 34 cents and they could sell their lumber for the

Three Year Cut and Shipment Report from Eighty Identical Mills, Showing the Relation of Shipments and Prices to the Cut



next 20 years and carry that load at about a fixed price. Whereas, the average stumpage owned on the Pacific Coast I took at \$1.50, which was the valuation put on it by the Government report, and I had that compounded up to 1915, and the selling price at the end of 20 years must be \$18.00, and it must be \$13.00 today to carry that burden.

**The Chairman:** How much today did you say?

**Mr. Hazen:** It must be \$13.00 today and about \$18.00 in 20 years.

**Mr. Keith:** Are you speaking now of the selling price of lumber or the selling price of timber?

**Mr. Hazen:** I am speaking of the price that must be secured for lumber without figuring any operating profit, just the 6 per cent proposition. That lumber must increase from \$13 to \$18 to carry the load at 6 per cent.

**Mr. Keith:** Another question I would like to ask you, Mr. Hazen, is this: You made a statement here that 15 to 25 per cent of the tree was left in the woods. I would like to know how low you cut your stumpage; what is the basis of the diameter?

**Mr. Hazen:** We cut it down to ten inches.

**Mr. Keith:** Down to ten inches?

**Mr. Hazen:** Yes, sir.

**Mr. Keith:** That is all I have.

**Mr. Downman:** Any questions from the Commission?

**The Chairman:** No further questions, Mr. Downman.

**Mr. Downman:** The next gentleman on the program is Mr. M. B. Nelson, whom we brought here to try to throw some light on the export business from the standpoint of yellow pine operations. Mr. Nelson is with the Long-Bell Lumber Company, Kansas City, Mo., which maintains a selling organization, or did previous to the war, in Hamburg.

### STATEMENT OF MR. M. B. NELSON

**Mr. Nelson:** Mr. Chairman, and gentlemen: I came on very short notice, so I have not prepared my paper, and am afraid my remarks will be somewhat rambling.

Some ten years ago we had then been doing in a small way a little export business in yellow pine, which was not to our satisfaction, and we began to make some investigations to see if we could



not better our method of selling. Our sales at that time were being made by what we might call "office-in-the-hat agencies" that really had little responsibility and were kind of speculators and had no interest in the consumption of our lumber, and had no timber investments.

We counseled with a number of southern operators to see if we could not formulate a selling company which could put salesmen in the different foreign markets who would be familiar with the method in which our lumber is manufactured and the way the tree grows and how it could best be sold for our interests. We were encouraged at first and had quite a large number of the large operators who were willing to join us in this, but when we came to draw up papers and incorporate, and submitted our proposition to our attorneys, they would not approve of it, because they were afraid that it might be construed as in conflict with the Sherman Act. So we abandoned that plan and some two or three years later, having so much trouble, I made an investigation of the European markets where most of our lumber was going to that we were exporting, and after doing so I concluded that with our nine mills we would have a nest egg, so to speak, to start with abroad and to operate in a limited way by establishing our selling force on the other side.

We therefore established an office in Hamburg and put in charge of that office a man who was familiar with our operations, and through some salaried salesmen and agents that he could keep in close touch with, we succeeded in developing a market for quite a number of items of stock that we had never been able to sell to that trade before.

I might say that our reason for wanting to establish this selling organization was that I found that the man who sold our lumber over there knew nothing about a yellow pine tree, knew nothing about a sawmill, or why we could manufacture one item cheaper than another or anything about it. Hence, it as a rule went through three or four hands before it came to us, and it was, I might say, really just a conglomerate mass, and in order to get intelligence there we would waste too much energy through the different offices and channels through which it passed. Therefore, as I say, we developed through our own operations in a limited way sales for quite a lot of lumber that we would not have had if we had pursued the old methods; and what we accomplished in that line in the about two and a half years that we operated prior to the war, made it clear to me

that much more could be accomplished if our selling energy was concentrated through one channel, and we established competent, experienced men in the different markets where yellow pine could be consumed, and developed the business along practical lines. If we could secure in some way permission to organize so that we could send the proper organization throughout Europe, South America and the West Indies, in fact, every market where yellow pine is used, with that object in view, and the expending of all of our energies in the one direction, I think we could, in the course of five years under normal conditions, double the sale of our product.

My reason for that is this: I found, or we found, rather, that a number of markets were buying lumber from the Baltic district—

**The Chairman:** The Balkans?

**Mr. Nelson:** The Baltic district, what is called the Baltic district, that is, in Norway, Sweden and Russia. They had been accustomed to buying from that section, and take England, for instance, they are slow to change, much more so we found than Germany and Holland; but if we had someone that could put the information before them in a convincing manner they could be induced to use our yellow pine and our American woods.

Take box shooks; I think they could be introduced to a very large extent; and a lot of shorts that are used for various purposes, for crating and boxing and for different uses, could be introduced also.

Now, as to South American consumption, I am not so familiar with conditions in that territory, but I am sure that the sale of it if intelligently handled would develop a demand that we do not now have.

I do not know, gentlemen, that I have anything further to offer.

**Mr. Downman:** Are there any questions which the members of the Commission would like to ask of Mr. Nelson?

**Commissioner Rublee:** Mr. Nelson, you stated that you created a selling agency for your own business in Hamburg?

**Mr. Nelson:** Yes, sir.

**Commissioner Rublee:** I was not quite clear as to what the difficulties were that you described, as to why it did not work perfectly well.

**Mr. Nelson:** Well, we have nine mills, and of course it gives us quite a large output.

**Commissioner Rublee:** Yes.

**Mr. Nelson:** In the case of a smaller operator, or even confined to the production of our own mills, the expense of even maintaining a direct selling agency over in that country would be too great to warrant it unless the different mill operators would get together and sell through one organization, so as to give them a large amount of stock.

**Commissioner Rublee:** Was it too great for your organization? That is to say, was the expense too great for your organization?

**Mr. Nelson:** It would have been if confined to our own mills alone, but we bought considerable stock from neighboring mills. When we would take an order larger than we could handle ourselves, why, we would purchase what we could not furnish ourselves from outside mills, so in that way we considered the proposition profitable. But I would not consider it so for small operations.

**The Chairman:** Did you find it satisfactory for your organization of nine mills?

**Mr. Nelson:** Confined to them alone we would not, no, sir; but by buying some from the outside we were able to make it so.

**The Chairman:** In your experience, what would you anticipate that the conditions would be as to the lumber market abroad at the conclusion of the war?

**Mr. Nelson:** What will the conditions be?

**The Chairman:** Yes, as affecting your lumber market. Do you expect an increase in demand?

**Mr. Nelson:** That will depend a good deal as to how long the war lasts, and the conditions of those countries financially over there, and physically, I might say, after the war is over. Should the war terminate before they are bankrupt or physically exhausted, there will, of course, be opportunity to dispose of a great deal of lumber for building up the destruction that has been caused; but if they kill off their active people and become bankrupt, it would be a question as to what we could do.

**The Chairman:** Generally, speaking, do you expect an increase in the market demand after the war?

**Mr. Nelson:** After the war?

**The Chairman:** Yes.

**Mr. Nelson:** Yes, sir, we do; not as much as we had before the war, but an increase over what the demand is now.

**The Chairman:** Is there any demand now?

**Mr. Nelson:** Very little. What demand there is it is extremely



difficult to secure vessels to move. For instance, we have at Port Arthur now between ten million and eleven million feet of lumber. Some of it was shipped down there on orders we received last November with the understanding that we were to have pay for it within thirty days after shipments arrived there, and they are now paying storage on a lot of it at 25 cents a thousand feet, because they cannot secure tonnage to move it.

**Mr. Keith:** Mr. Nelson, were not lumber conditions in the European market shortly before the declaration of war very much depressed?

**Mr. Nelson:** Yes. During the latter part of 1913 and the first half of 1914 it was about 80 to 85 per cent normal.

**Mr. Keith:** I would like to ask you also, Mr. Nelson, if the business of this country was normal, what percentage of the logs, yellow pine logs, could be economically manufactured for shipment abroad, in your judgment?

**Mr. Nelson:** If you use South America and the West Indies and all of the export markets that are open to us to be properly developed, I think the entire production could be utilized. The European market before the war took only the higher grades, while the lower grades went mainly to the West Indies and South America.

**Mr. Keith:** Did not South America get most of its supply from the Baltic regions?

**Mr. Nelson:** No, not South America.

**Mr. Keith:** It did not?

**Mr. Nelson:** No.

**Mr. Keith:** The point I want to bring out, Mr. Nelson, is that taking your present operations or your operations prior to the declaration of war in Europe, the sales there were rather limited just prior to the war?

**Mr. Nelson:** Yes.

**Mr. Keith:** Not as broad as you would like to have carried them out?

**Mr. Nelson:** No, it was very limited and our organization was new.

**Mr. Keith:** And you think it could be extended by co-operation of a larger number of plants through their combining together and forming an export company?

**Mr. Nelson:** I feel sure it could, because the methods of selling our material in that country at the present time are very crude.

A lot of energy is wasted for which no one receives any benefit. It is the lack of intelligence upon the part of the people who are selling as to what they could get or what they can get. For instance, a buyer over there forms an idea that he wants a certain size or certain grade. Now, he does not know how difficult it is to secure that grade. The result is he makes an inquiry of some local dealer. That local dealer sends the inquiry to the importer. The importer sends that inquiry, as a rule, to a general agent, say in London or some large place, and he in turn sends that over to what we call a local exporter over here. Then the local exporter goes to the mill with that inquiry to buy. Now, notice the number of officers and people that goes through.

The mill man might ask him about it, but he does not know what it is going to be used for, that is to say, the local exporter does not. The mill man might ask him, "What is it going to be used for," and he replies, "I don't know," and simply says, "This is how it was put up to me," and so it is up to the mill man to make a price on that item. There is no going to that buyer and making him a price on something else than what is inquired for.

The thought I have in mind is that if we had a man there who could go to this buyer or user of lumber and talk with him and ask him what it was going to be used for, and then explain to him what he could get, and the grade that he could get so much cheaper and that would also be cheaper for us to make and more profitable for us to manufacture, why, if we had an organization of that kind we could accomplish a great deal, and, as I say, we could work up a trade for a lot of lumber which is now really going to waste in this country.

I might add that we have an agent who is not a salaried representative, who is simply on a commission basis, and who has been over in this country now for some two or three months at our mills. He spent about two months in the Baltic region in Russia, with a view after this war is over of being familiar, as I have said, with his own trade, and understanding his own timber that he is selling, so that he will know better how to sell our lumber after the war.

**Mr. Keith:** Do you know of any request being made on the Southern pine people from the Spanish American countries for copies of their grading rules?

**Mr. Nelson:** Yes, there has been some inquiry about the grading rules.

**Mr. Keith:** What do you know of the effort being made in the South for the exploitation of trade extension by the Southern people?

**Mr. Nelson:** Well, our Southern Pine Association is spending, as I understand, approximately a quarter of a million dollars a year in scientific research and in different ways to try to increase the consumption of our lumber. And it is spent in different ways, advertising and experimental work, and doing some educational work.

**Commissioner Hurley:** To what extent do you think that you can increase the foreign business if you advertised and had a foreign co-operative selling company?

**Mr. Nelson:** To advertise, I do not think we could accomplish anything practically. To have an organization such as I have mentioned, as I stated, I think inside of five years under normal conditions we could double the consumption of Southern pine in foreign countries, where we are now doing business.

**Commissioner Hurley:** Who are your chief competitors now outside of Canada—Norway and Sweden?

**Mr. Nelson:** Norway, Sweden and Russia. There is some comes from the Balkan States, but their competition is not as great as from what is called the Baltic district.

**Commissioner Hurley:** Then your thought is to offset this decrease in your business and provide for the substitutes that if you had a co-operative selling organization for foreign trade it would help to increase your output and bring money into this country?

**Mr. Nelson:** Yes, sir, it would relieve our conditions to that extent. It would bring in just that much more money which we do not now have, and it would develop the market and the demand for some of our low grade stuff, really, which is going to the burner or being left in the woods at the present time.

**The Chairman:** Was it contemplated that the chief function in that organization which you put up to your attorneys would be to formulate a selling agency or to fix prices abroad to sell your product?

**Mr. Nelson:** Well, naturally to sell you have to fix the price, you and your customer have to fix it, and as it is now, the customer fixes the price.

**The Chairman:** Do you think it would be feasible to organize a selling agency abroad to exploit or market abroad and to prevent those things that the law now prohibits in this country, to wit, fixing prices, at the same time, or would one lead to the other?



**Mr. Nelson:** Necessarily one would lead to the other, I think. You must fix the price of your product, if I understand you correctly, otherwise you cannot sell it, and while an organization of this kind if created probably would not—you could not get more than thirty to forty per cent probably of the manufacturers to sell their lumber through this organization, because there would be opposition to it in some ways, and they would figure that some of the operators would be benefited more than they would, and for various reasons I do not think it would be possible to get over about forty per cent of the export production into a selling company of this kind.

**The Chairman:** The point I was directing my question to was this: It has been urged as an objection to co-operation in the foreign trade that it would lead to the fixing of prices to the detriment of the consuming public in this country, which the law now prohibits, and which is generally considered proper.

**Mr. Nelson:** No, I do not think it would affect it in the least.

**The Chairman:** You do not think it would necessarily follow?

**Mr. Nelson:** No, sir.

**The Chairman:** We are very much obliged, Mr. Nelson.

**Mr. Downman:** Mr. Chairman, I presume we have about arrived at the lunch hour, but before you adjourn—

**The Chairman:** Have you other gentlemen here so that you could continue?

**Mr. Downman:** Yes, we will continue as long as you wish.

**The Chairman:** Suppose you continue for half an hour and see how far we can get.

**Mr. Downman:** The next gentleman is Mr. H. C. Hornby.

**The Chairman:** How much time do you estimate you will wish now, Mr. Downman?

**Mr. Downman:** To complete the presentation?

**The Chairman:** Yes.

**Mr. Downman:** Well, it will take about an hour and a half, possibly.

**The Chairman:** Then we can adjourn now and resume at what time? What would suit your convenience?

**Mr. Downman:** It is up to you.

**The Chairman:** Suppose we resume at two o'clock sharp.

**Mr. Downman:** Well, with that understanding, if I can present one man now, it will take but a minute. He just wants to make a small statement. I made the statement yesterday that Mr. Toole, of what

is known as the Inland Empire, Montana, Idaho and Washington, and that section which has not been represented here, is unable to be here, and the conditions are very bad out there, and Mr. Hornby just wants to make a statement as being a representative from that district.

**The Chairman:** You may take your own time, and we can postpone the adjournment until 2:15.

**Mr. Downman:** Mr. Hornby. Gentlemen, this is Mr. H. C. Hornby from Cloquet, Minnesota, who is interested in lumbering in the Inland Empire.

### STATEMENT OF MR. H. C. HORNBY

**Mr. Hornby:** Mr. Chairman and gentlemen, Mr. John R. Toole, the President of the Western Pine Manufacturers Association, was to present the conditions as prevailing in the Inland Empire or Spokane district, but I understand Mr. Toole is detained by sickness. No one here has the necessary data or figures to properly present the conditions in that district to this Commission. As one interested in the manufacturing of lumber in that territory, I know that the conditions there are deplorable. Lumber is being sold for less than the cost of production, and unless conditions change very materially for the better within a very short space of time, there will only be a very few operators in the inland territory that can continue. There are several features that aggravate the local situation which are probably more than in other districts.

The territory in which the timber grows is rough and mountainous and the cost of logging is high. There is no large lumber using territory that can be reached without a heavy freight rate, which cuts them off from almost all consumption, on the long freight rates, with the exception of white pine, which is less than thirty per cent of the total stand of timber in the territory, and a portion of the output of western pine. The balance of the product, which runs very closely to 65 per cent, is all low grade and there is no local territory that can absorb this surplus. The country is new and the development of it is calling for a large amount of funds of which the lumbermen have to pay a goodly share. The fire risk is great, on account of the length of the summer season, which is practically without rain.

In view of all these conditions, I can assure you that the situation there is most acute. And in the absence of Mr. Toole I would re-

spectfully ask for your permission for this territory to file a brief at a later sitting of this Commission, in which the facts could properly be set forth pertaining to that territory.

**The Chairman:** That can be done, Mr. Hornby, or you could have your own representative appear before us in Seattle or Spokane.

**Mr. Hornby:** Thank you. In a general way I am familiar with the situation there and if there are any questions you would like to ask I would be glad to answer them if I could.

**Commissioner Parry:** Have you an association in the Inland Empire?

**Mr. Hornby:** Yes, sir, the Western Pine Manufacturers Association.

**Commissioner Parry:** Who is president of that?

**Mr. Hornby:** John R. Toole.

**Mr. Downman:** Well, Mr. Chairman, we can adjourn now if it is your pleasure.

**The Chairman:** We will adjourn until two o'clock.

(Whereupon, at one o'clock p. m. an adjournment was taken until two o'clock p. m.)





## FOURTH SESSION

TUESDAY AFTERNOON, JULY 20, 1915

**The Chairman:** Mr. Downman, you may proceed, if you are ready.

**Mr. Downman:** Mr. Chairman, the next gentleman to address you is Mr. C. H. Worcester, of Chicago, representing the Northern Hemlock and Hardwood Manufacturers Association.

### STATEMENT OF MR. C. H. WORCESTER, REPRESENTING THE NORTHERN HEMLOCK AND HARDWOOD MANUFACTURERS' ASSOCIATION \*

**Mr. Worcester:** Mr. Chairman and gentlemen, I am very glad that this hearing is in the nature of an informal conference. I have never appeared before a body of this kind and I am somewhat at a loss as to just the form of presentation to make, although I have learned a little since you started.

I have additional copies of my original statement here, which my secretary has not appeared with as yet, but later on I will hand them to you; but I will say that I do not intend to burden you with a literal reading of this statement.

Since I have been listening to the statements made by others, some new thoughts have come to me, and some original thoughts which I had I do not think it is necessary for me to enlarge upon.

**The Chairman:** You will file the original statement?

**Mr. Worcester:** I will file the original statement, yes, sir, and as soon as they come in I will hand you the original statement, so that you can refer to certain statistical evidence contained therein.

In the beginning, I want to say that I appear representing a comparatively small section of the lumber business of the United States. We manufacturers of hemlock and hardwood up in Wisconsin and Northern Michigan are trying to do the best we can to make a success in utilizing what is left of the natural resources of that sec-

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\* See brief, page 149.

tion. You perhaps are, most all of you, familiar with the early history of the white pine industry in the states of Wisconsin and Michigan. You all know there were very large and valuable stands of white pine in that section, and there was a certain class of lumbermen went up there, got possession of those lands, turned those white pine forests into lumber, and floated it down the Mississippi and built up the prairies of the West, the states of Nebraska, Iowa and all that western section. You go through that section today and you will find that the majority of the buildings are built there of white pine.

Now, they cut all over that country and left here and there little groups of hemlock and hardwood scattered all over the country, and when they got done, nineteen out of twenty of them folded up their tents and went to the South and went to the West, and took the money which they had earned there and reinvested it in other sections, and they sold to us lumbermen who remained there, these same lands. They started in on a basis of five dollars to six dollars, and they ran up to ten dollars an acre, and from that on up to twenty dollars an acre.

That process began in 1896 to 1897. Personally, I first began to manufacture in Menominee County in 1898.

I was among the first of the hemlock and hardwood manufacturers in that section, and I have been trying to make a living out of that kind of stuff, the skimmed milk, as it were, which the white pine manufacturers, who took the cream, left behind. There has come to be a very important natural resource in that kind of timber in this section of the country, and it is very important for that section of the country, because it is all that is left.

Now, we people feel, in the last five or six years, that we are being crowded off the map; that we have been left in a struggle for existence, and that we have a plea and a grievance against the manufacturers in the South and West. I will dilate on that more largely later on, because I think it is proper first to outline the condition in which we find ourselves as to our cost of production and a few of those statements. Then I will later on point out to you what I, as a layman, not a lawyer, but a business man, believe this Commission can do to help us, in meeting this tremendous competition which we meet in the marketing of what is left of the natural resources of our section.

The Northern Hemlock and Hardwood Manufacturers Association comprises eighty manufacturers of lumber in Wisconsin and Northern



Michigan. Of these eighty manufacturers, twenty-six cut less than five million feet per annum, twenty-four cut very close to ten million, thirteen cut from ten to fifteen million, nine cut from fifteen to twenty million, three only cut from twenty to twenty-five million, and one only cuts above twenty-five million. Now, these plants average very small as compared with the yellow pine and the West Coast mills, as you will see.

The principal woods manufactured by our Association members are proportioned as follows:

Hemlock, 60 per cent, being the major wood which we are cutting, that is, the major wood which comes in competition with fir, and yellow pine. Maple, 14 per cent; birch, 14 per cent. Birch is a very valuable wood which a few years from now, if things keep on as they are, will be in the same class as black walnut is today. It was not so many years ago when black walnut was made up into fence rails and burned on locomotives, but today they are scouring the woods and picking up every tree on the farms, for cabinet wood; and birch is going the same way. Elm, 4 per cent; ash, 1 per cent; basswood, 6 per cent; oak, 1 per cent.

During the year 1914 the members of this association produced of hemlock and mixed hardwoods 823,000,000 feet, which was about 60 per cent of the total production in that section of those classes of woods. We shipped only 626,000,000 feet, leaving a surplus on hand in the hands of the manufacturers of 196,000,000 feet, or 31 per cent. Now, if our plants had been operated to their full capacity we would have a surplus over shipments of 870,000,000 feet, or an overproduction of 138 per cent.

**The Chairman:** As against an actual production of how much?

**Mr. Worcester:** Eight hundred and twenty-three million. The rated capacity of the sawmills of the members is 1,497,000,000 feet.

**The Chairman:** You ran then about 50 per cent of your capacity?

**Mr. Worcester:** I should say that the figures were as 14 is to 8, or about 60 per cent.

During the first five months of 1915 the member plants produced 277,000,000 feet. We shipped 227,000,000 feet. You see the production was reduced and came more nearly in line with our shipments, but we added to our inventory 50,186,000, or an addition of 9 per cent to our inventory stock on hand. We actually shipped 22 per cent less than we produced.

Now, if the plants of the members had been operated to full capacity we would have had an excess of 460,000,000 feet during that period, or 202 per cent.

Now, this failure, in spite of our curtailment, is caused by the competition which we have met in the hemlock business, very largely, from yellow pine and from fir. These figures show the accumulation of large surplus stock of lumber in the hands of our members, in spite of the fact that during the first five months of 1915, 26 per cent less was manufactured than in the corresponding period in 1914. That shows that we have done our part on the curtailment, but it does not do any good.

This surplus and over-production stock in the hands of our manufacturers, coupled with the keen competition of southern lumber sold in northern markets at the low cost of southern production, has caused a complete demoralization of the markets.

A struggle exists today among the members of the association to dispose of their product in competition with each other, in competition with manufacturers not members, and in competition with Southern, Eastern and Western woods.

The result is that the business of the members is being conducted at a loss, the natural forest resources of our section of the country are being wasted and sacrificed, and it is only a question of a short time when the endurance of the strongest will make itself felt, and the curse of overproduction will be cured by the crushing out of the weaker firms. There have been a large number practically crushed and shut out in our section of the country.

In support of this statement we have here an average statement of operating cost from a large number of the members of our Association. I will not burden you with the detail of it, because you can get it all and subject it to the analysis of your experts. This statement has been collected in good faith, and it will be maintained in presenting it that it is representative of the condition of the industry. It shows an average cost of producing lumber of all kinds in our section of \$13.80. This is simply the operating cost.

**Commissioner Parry:** What is the cost?

**Mr. Worcester:** Thirteen dollars and eighty cents. That is simply the actual logging, freight paid, cost to manufacture, yard expense, shop, sales expense and depreciation on properties that have been charged a depreciation.

**Commissioner Parry:** Yes.

**Mr. Worcester:** The general expenses, including salaries and taxes on the mill plant, but not including any timber.

**Commissioner Parry:** No stumpage?

**Mr. Worcester:** No stumpage, no interest on plant whatever was included in the \$13.80.

Now, we received for our product during the first six months, January 1 to June 1, \$15.32. The difference between \$13.80 and \$15.32 is \$1.52. That represents stumpage, and interest on our manufacturing plants, and the money used in the buildings.

An average concern manufacturing, we will say, 20,000,000 feet of lumber uses in the neighborhood of \$400,000 in their business. In their inventory of their yard, they carry fifteen to twenty million feet of lumber on hand curing and seasoning, and they have \$50,000 to \$75,000 tied up in accounts, and then their investment in their manufacturing plants, so that about \$400,000, I think, would represent the average investment outside of timber for a concern manufacturing about 20,000,000 feet in our section.

Now, six per cent on that would be \$24,000, and divide that by 20,000,000 it would be \$1.20 for interest alone. So that we would have, figuring it at \$1 to make it conservative, 52 cents left to represent stumpage.

Now, by a process which I will explain later I have computed what the average cost of stumpage has been to the members of the association.

**Commissioner Parry:** You are talking about hemlock now?

**Mr. Worcester:** I am talking about hemlock and mixed hardwoods.

**Commissioner Parry:** And mixed hardwoods?

**Mr. Worcester:** Yes, it includes all the hardwoods, maple, birch, ash and elm, and everything we produce. This is the average cost of the whole thing.

The average cost of stumpage of these various woods, as arrived at by a method which I will explain to you later, is \$4.06. On page 5 you will find that cost statement, and my statements have just arrived, so that I will distribute them among you.

I will say to you gentlemen who have those books that I am going to skip all over this thing and I will refer to the pages as I touch upon them, unless you would prefer to have me go straight through the statement.



**The Chairman:** No, I think it is better to go on in this manner. You are presenting it very clearly.

**Mr. Worcester:** Then if you wish, I will continue on these various items that enter into this expense of production.

**Commissioner Hurley:** What I would like to know, Mr. Worcester, is whether you are basing this upon a particular volume or whether you have taken an average for 1912, 1913 and 1914. Have you taken the volume for 1914, under war conditions, and based your percentage on that?

**Mr. Worcester:** This cost is based on 1914, yes, sir.

**Commissioner Hurley:** Did not the war affect it?

**Mr. Worcester:** We did not feel the effect in labor until the 1914-1915 crop. Our conditions are a little different from what they are in the South. Only a few of our members continuously supply their mills with logs. In the South they have a railroad running out from the mill and the logs that are logged this week are sawed next week. With us our operations are all mixed up, and we do it in all kinds of ways. We go away up stream and send a crew of men up in camps to prepare a stock of logs, and we dump them into the stream and drive them down the river. Then a few of us have railroads running out of our mills and part of our supply is a continuous supply. In my own individual operations in both of our mills we have distinct and different kinds of operations, three distinct and different operations. We have a continuous supply for a part of our product; we have a winter operation that involves sleigh haul, and those logs come down stream; and then we have another operation away off perhaps a hundred miles from the mill where we cut some timber and haul it out to the railroad, load it onto the cars and pay the freight to the mill. So that our operations in a good many ways are not comparable in any way with the operations of the yellow pine lumbermen of the South or of the fir people.

**The Chairman:** Your cost of stumpage, you say, is what?

**Mr. Worcester:** The cost of stumpage as determined by this calculation, which I will explain to you later, is \$5.48.

**The Chairman:** Is that for one year only?

**Mr. Worcester:** No, that is the cost on January 1st, 1915.

**The Chairman:** It does not purport to be the average cost for the past ten or twelve years?

**Mr. Worcester:** No, it is a progressive cost, Mr. Davies, as I will show you a little later.

**The Chairman:** What I had in mind, knowing something about the hemlock business up there, was this, that along about 1896 or 1897 you were buying hemlock by acreage and it cost you probably a very small amount; whereas, in a few years it jumped up to \$2.50 a thousand.

**Mr. Worcester:** In about ten years it jumped up to \$2.50 a thousand.

**The Chairman:** Yes. I was just wondering on what basis you computed this cost of stumpage. I just wanted to get it clear in my own mind.

**Mr. Worcester:** I think I will make that clear to you, Mr. Davies. I think I have heard it remarked that you in the early days, a good many years ago, were somewhat interested in the forest reserves of Wisconsin. I myself went into the business in northern Michigan in just the period you have mentioned, 1896-1897. At that time I paid 50 cents a thousand for my hemlock stumpage, and that hemlock stumpage was right alongside the railroad. All we had to do was to just skid it to the railroad and then load it onto the cars, and we had a mere nominal freight to the mill. I sold hemlock piece stuff for \$10 a thousand and made \$2 a thousand on it at that time. Why? Because the stumpage did not cost me hardly anything and my logging cost was very low. We did not have to go away back from the railroad.

Today if you want to get any of that timber outside of very small descriptions which are scattered around and held by some as speculative, we have got to build a railroad ten or fifteen or twenty miles and we have got to go back into the country for it. All that adds to the cost of getting at this timber.

Included in this cost reported here, are operations by different concerns, some of whom have got to go away back into the country for their supplies and some of whom have not. In computing this average cost of stumpage here we have, therefore, taken those conditions into consideration. It shows, as I said, an average cost of stumpage of \$5.48, which is reduced by the amount of lumber we get out of the logs to \$4.06. That shows an average loss of \$2.54 on the average product.

Now, we will revert to this stumpage table on page 4, if you please, and if you will I will ask you to unfold that sheet. As your Chairman, Mr. Davies, has mentioned, I have a couple of paragraphs here which were presented to me by the president of our association, Mr.

R. B. Goodman, and I will read these two paragraphs bearing on that very subject which the Chairman has mentioned.

“There are two periods in the history of the industry in Wisconsin and Michigan during the past thirty years:

“First: The period of increasing values and gradually advancing price level, which terminated about 1907, which was rife in timber speculation; replete with big enterprises, which developed a few big men and a few large fortunes. A period of wonderful development in which all the other great industries equally shared.

“Second: The period of fluctuations from a stationary or horizontal price level that has existed from 1907 to the present day, which means, with some exceptions, a stationary stumpage value and the necessity of the mill operator earning each year the taxes and carrying charges of his entire stock of standing timber—and I must say he has not done it. A period in which all of the tendencies lead to wasteful and ruinous over-production.”

This stumpage schedule was compiled last January before I had any idea anything of this kind would come up. There had been quite a discussion among our members as to cost accounting in trying to formulate some method of cost accounting in our association as to what stumpage was worth. One man figured that his stumpage was worth on hemlock, for instance, \$4, and another man said it was worth \$2.50, and still another man said it was worth \$3.50. We wanted to arrive at some basis for determining what the stumpage should be called worth. We all knew when we went out in the market and tried to buy any we had to pay from \$3.50 up to \$6 a thousand, depending on who held it, whether it was speculators, or how strong they were financially. Here and there somebody would get caught and be hard up and have a mortgage on his timber and we would be able to grab off something.

I solicited the opinions of a large number of timber owners in northern Wisconsin and Michigan and I determined by a process that I will explain that the average of all our members seemed to start fairly equal in their purchase of timber January 1st, 1907. From the information I secured I thought that was a fair date on which to commence the computation of what the stumpage cost our different members.

We therefore selected that date, January 1st, 1907. Then accompanied with this information which I got, I tabulated the record of sales and purchases and opinions as to the value of what was asked for stumpage. Of course, in the compilation of this report I had our



own records to go by. In fact, the companies in which I am personally interested bought in that period about 20,000 acres and paid these average prices for stumpage. Commencing on that date, January 1st, 1907, and taking hemlock at \$2.50 and adding six per cent interest on cost, and one per cent depreciation, and that one per cent is very necessary because in the shape our forests are in they are constantly being eaten into by fires, by wind storms and by destruction from insects. It was only a few years ago when all the tamarack in northern Michigan was destroyed by insects.

**The Chairman:** Any offset growth?

**Mr. Worcester:** We all of us agreed after considering that matter quite carefully that the deterioration in over-ripe timber and the losses from fire and so forth very much overbalanced the growth in our section of the country. You see our section of the country is not in solid groups; it has been cut all over, here and there, for white pine, and it has been made peculiarly vulnerable, and the losses to standing timber are, I think, greater in that section than they are in other sections.

That brings down, as I said before, an average cost for stumpage on January 1, 1915, of \$4.65. That is really what stumpage has actually cost the average member of our Association.

**Commissioner Parry:** What is your basis, board measure or log scale?

**Mr. Worcester:** That is log scale.

**Commissioner Parry:** Log scale?

**Mr. Worcester:** Log scale, yes, sir, on hemlock. It brings down our maple to \$2.785. That may seem low to you comparatively, but our maple is a poor quality and does not compare with the maple in some other sections.

It brings down our cost of birch to about \$7.44.

It brings down our cost of basswood to \$11.16. Basswood stumpage was worth more in January, 1907, than it is today.

It brings down the cost of elm to \$9.32.

It brings down the cost of ash to \$11.16.

On page 6 we have prepared an individual operating cost and realization of each of the principal woods which we manufacture. I think you will be able to see that manufacturing so many different kinds of woods, cutting them in the forest all at once, it is quite impossible to get at what it costs you to produce each kind of wood, but that it is necessary use certain arbitrary figures in making certain

arbitrary deductions. But we have worked on that for quite a while, and I myself have been somewhat of a crank on that subject of trying to find out where we were making or losing money. Whereas, taking the average manufacturer who does not keep cost accounting books, he only knows at the end of the year that he has lost money but he does not know where he has lost it. This table is therefore only interesting as showing that we are losing most of our money on hemlock.

The hemlock column starts with a stumpage cost of \$4.65 and shows a loss of \$3.41. You might say if you deducted this loss from the hemlock stumpage charge that it would give you what was left for stumpage. You can see there is not very much left.

Then, again, these figures do not include any interest on our plant, so that you have another dollar to add to that. We are losing an average of over \$2.50 a thousand a year.

**Commissioner Parry:** On all woods?

**Mr. Worcester:** Yes, on the average.

**The Chairman:** How much are you below your average production?

**Mr. Worcester:** We have cut 26 per cent less the first six months of this year than last year. I will continue, unless there is something else you would like to ask.

**Commissioner Hurley:** I would like to ask you the percentage of your mills up there that are in your organization?

**Mr. Worcester:** I couldn't answer that question as to the percentage of the mills. We have about 60 per cent of the production.

**Commissioner Hurley:** You have?

**Mr. Worcester:** Yes, about 60 per cent of the production is represented in this Association. There are some very large manufacturers that are outside of the Association and quite a lot of small manufacturers. In fact, the business is spasmodic. The conditions up there permit the establishment of mills that can be put in over night, these portable mill operators.

**Commissioner Hurley:** You do not ship abroad, you do not do any foreign trade at all?

**Mr. Worcester:** Very little. We did do some Canadian trade last year. In fact, in 1914 we were so crowded out of this market here by yellow pine that we had to find some place to put our hemlock, and we found they liked our hemlock in southern Canada, and we put quite a large amount of hemlock into St. Thomas and Toronto

and that section of the country. But this war tax came along and 7 per cent ad valorem, and just chopped us right off, and has still further confined our market.

**The Chairman:** The war tax imposed in Canada?

**Mr. Worcester:** Yes, 7 per cent ad valorem on rough lumber. Before that there was no duty on rough lumber.

**Commissioner Hurley:** In the charging off for depreciation, do you charge off every month or at the end of the year?

**Mr. Worcester:** Most all of us charge it off at the end of the year.

**Commissioner Hurley:** What do you think is the best method of charging off depreciation, each month or at the end of the year?

**Mr. Worcester:** Where you are running as they do in the South, and cut so much timber each month, and you are able to keep the monthly cost accounts on your logging, it is very easy to keep a monthly account. But in most places in the South they ship their lumber about as fast as they make it. We pile all our lumber on the yard, and it has to be cured and seasoned, and it averages five or six months in the yard, and that which we make today may not be shipped until six months later. So cost accounting would be very difficult for us to employ along the same lines they use in the South. We have one operation in our business in which we practically continuously supply our mills, and in which we might be able to do that, but with the average mill in our section of the country that system is not adaptable, and it would be very difficult to do it in practice. Therefore, the depreciation on most of the mills is figured up at the end of the year. In fact, I think the majority of our members do not know whether they have made any money until the end of the year, until they inventory everything up and get their logs all sawed up. Some will have logs in forty different places around the country and away up streams, and they may not get them. They may be decked out on the railroad and be burned up before the time comes to use them.

This statement of cost and realization shows a loss of \$3.41 to 11½ cents, or an average loss of \$2.54, without any interest.

Labor has shared in that loss in our section. Of course, you gentlemen have heard a great deal about that from the other representatives here, and may be tired of it. I will simply say we have tabulated the wages we paid in 1912, 1913, 1914 and 1915, and you will find the most marked reduction in the January, 1915 column.



You see, most of us working in the winter time, our reductions in wages do not show until about six months afterwards in these statistics. However, it shows that there has been a reduction in wages at the manufacturing plants, of 4.15 per cent, and in the woods an average of 13 per cent.

Of course, the largest amount of money is spent in the woods and we figure that the reduction averages about 10 per cent, and that we spend for labor in the production of our stuff about \$9.00 a thousand, which makes a loss of about 90 cents a thousand on labor in the reduction of wages. That amounts on the amount of lumber cut this year, to about \$540,000. But we have reduced our production compared with last year 223,000,000 feet, and it is going at that rate now, and I think it is fair to conclude that the labor in our section has suffered a loss of \$9.00 a thousand on 223,000,000 feet of work which they have not had. And it is apparent up in that section; there are plenty of idle men. In fact, in our camps last winter we had men come to us and say "We want work, and let us work in your camps and we will wait until there is a vacancy, we will work every day for our board." But we did not take a man on that basis.

**Commissioner Hurley:** What is the labor situation up there now?

**Mr. Worcester:** The labor situation is that you can get all the labor you want at almost your own price. In that particular section in which I am personally interested, that is true, in spite of the fact that the copper industry of Houghton County—and one of our principal mills is in Houghton County, within twenty-five miles of the Calumet and Hecla mines—those mines are doing everything they can to increase the production of copper, and yet men are constantly coming to our plants and wanting employment. In fact, they have been attracted to that section by the stories of prosperity in the copper mines, and the result is we have a surplus of labor. I figure that labor is suffering a loss of practically four and a quarter million dollars on account of these conditions which are prevailing in the lumber business in our immediate section, that is, counting everybody engaged in the industry.

The second move to reduce costs in producing lumber is to leave more timber in the woods to be burned up and lost to the public. Logging costs vary up and down according to the size and quality of the timber cut. The smaller the timber cut, the higher your logging cost is, as you can see. At present prices of lumber small and under average quality trees are left in the woods, as the logging cost is too

high to make it pay, and this applies equally to the process of manufacture in the mills. When prices are low and a large surplus production exists, the manufacturers are forced to waste their timber. The amount of timber left in the woods varies greatly according to the quality and quantity per acre of the timber being cut. Take a section with poor timber, the waste would be much greater in that than it would be in a section of fine quality. In some cases it is very large, but there are no data existing on which to base an accurate statement. Authorities in different parts of the states of Wisconsin and Michigan have been consulted and their statements averaged, showing under 1915 market conditions a loss of 2,000 feet to the acre of timber wasted for lumber purposes through inability to manufacture it without a loss at present prices. This causes a serious loss to the community and to the lumberman, a loss which has been pointed out many times by economists, and for which the lumberman has been roundly abused in the last few years. I myself personally have come in for quite a lot of it, and I want to say that the lumberman is anxious to remedy this condition, but he does not know how to do it. We are all looking to this Commission to help us find some remedy for it.

The forested lands of Michigan and Wisconsin vary greatly in yield of timber, cutting from 5,000 feet to 15,000 feet per acre, that is, speaking only of real forest lands. An estimate of 8,000 feet to the acre is a high average for the district. The total for Michigan and Wisconsin is 2,987,000,000 feet, and requires 373,464 acres to furnish that timber. At a loss of 2,000 feet to the acre on account of inability to realize on it there is an economic loss annually in this district of 746,000,000 feet, which computed at \$4.00 per thousand feet equals \$2,987,000. If this timber was all cut it would require 74,694 acres less to produce the total cut. That is quite a large amount, when you consider that six miles square is a township, and about 22,000 acres, and it would take about eighteen square miles to equal the loss from present methods of cutting.

Our conservationist friends in the various associations organized for that purpose in this country, and the United States Forest Service, point out that the lumbermen are at fault and are making their own troubles, manufacturing more lumber than the country needs, and not only ruining one of the great businesses of the country and one of the foremost industries, but also wasting important and necessary natural resources of the country by wasteful methods of cutting and artificially depressing the value of standing timber. To this indict-

ment the lumber-men must plead guilty; we are doing it, unquestionably, but at the same time we enter the plea in justification of self-defense.

The fact is, that the lumbermen of this country are being driven. They are not voluntarily running a reckless, thoughtless race. Many of them have no choice. The carrying charges on standing timber are increasing, due to the compounding of interest, the large increase in taxes, losses by fire and with storms, and increasing of cost of care and surveillance. Interest rates have not increased, but the total annual charges are such that large numbers of lumber manufacturers are forced by financial need to cut more lumber when the price is low than when it is high, as they must have certain sums of money each year with which to pay acquired debts and interest and taxes. When the price is low they must cut more lumber, as it requires more feet at the lower price to provide funds. There are a large number of lumbermen in exactly this predicament, and also a large number who are not in this condition.

I want to say there are a larger number who are in debt, because that is the chronic state of a lumberman, but there is a percentage of men who are not in debt and who are not forced under these conditions to do this. But interest is just as dear to the man who has his money invested in timber lands as it is to the investors in farm mortgages and municipal bonds, and he does not want to lose interest and accumulated charges which he has put out on his timber, and the result is there is a great pressure behind the lumberman which has arisen almost entirely since 1907, and which has become cumulative. The lumbermen are getting scared to death for fear they are going to lose their money in carrying this timber. If you will look back at the average lumber prices since 1907, you will see almost a straight line. There has been no appreciation in the value of the product sufficient to warrant the absorption of these carrying charges. There has not been money enough in the business to absorb them.

**The Chairman:** Is not that more or less typical of the lumber business, that you have a feast or a famine largely? Is not that the history of the business?

**Mr. Worcester:** It was up until 1907, but I think if you will study the statistics as provided by the census you will find that the line of prices made an ascending line until it reached about 1907, and from then on, with little bits of ups and downs, you will find almost a straight line down to date.



**The Chairman:** There was a long period in the white pine industry when those conditions prevailed?

**Mr. Worcester:** Yes, but that line in the white pine industry is a level advancing line, with some short drops of very short duration. The white pine industry was blessed with a market which constantly absorbed the carrying charges. It kept getting a little more money all the time, and it constantly absorbed their carrying charges with some few exceptions. Of course, that was before my day, but there are quite a number of men that I know of who have told me that it was the reverse of this, and I think that can be substantiated. The statistics of the census—I think I can convince you on that, Mr. Chairman—

**The Chairman:** It is immaterial. Just go right ahead.

**Mr. Worcester:** If you will look at that blue line (handing paper), I think you will find that it shows a very good advancing situation until it reaches 1907, and then from then on it runs pretty nearly straight.

While we are on that subject, Mr. Chairman, I have here an exhibit—well, the census figures do not go back far enough, but they do in that statement which I handed you.

I think I left off somewhere about the pressure on the lumberman from an accumulation of carrying charges, and I think I stated that this situation has come up very largely since 1907. We have not had the constant appreciation in the value of our lumber, and there has not been profit enough in the business for us to absorb those carrying charges outside of our business. The result is that all sorts of methods have been adopted by our manufacturers. Most of them have been buoyed up with the hope that “Oh, well, this is only temporary.” It has always been the case in the lumber business that well bought stumpage would carry itself with interest and taxes, and for quite a number of years we have sort of consoled ourselves that that would be so. But the last three years we have gotten to a realization of the facts, that it is not going to do it unless we are able to get more than cost for our lumber.

Now I believe that this pressure behind the lumberman is the most important thing in the production of lumber today in the United States, and I believe that the stage is set in the United States for a chronic state of over-production.

This is not the place that I intended to make that statement, but it is made now and I will amplify it. This pressure behind the lumber-

man in the shape of accumulating interest and taxes is felt not only by the lumberman but by everybody who has a group of timber for speculation in the United States. You gentlemen know that throughout the South and West there are syndicates, hundreds of them, that have groups of timber. Those men are today putting up the interest and taxes to carry those groups. Many of them have money borrowed and have bonds out on them and so forth. Now they are getting awfully tired of it and are waiting for a chance, as soon as the lumber market improves, to jump in and build mills and try to earn some money to pay those carrying charges, taxes and so forth, which are mounting up and up and up, particularly in the West, and an increase of 118 per cent in our section.

Just as soon as the lumber market begins to show a little peak, you will find these mills will commence running, to try to make up for lost time, and there will be a lot of new mills put in on these syndicate groups. And I believe the stage is set today for a chronic over-production in the lumber business until the end begins to come in sight, unless some method is devised to regulate this thing.

Now, the lumber business is in a unique position among the manufacturing industries of the United States. I refer to the fact that most of the lumber manufacturers of this country are obliged to own and carry on hand all of the raw material with which to run their mills for them from ten to twenty years. You have heard that statement made before, but I do not think it has been emphasized sufficiently.

Just consider this a minute as applied to the other manufacturing industries all over the United States. How many of them are there that are absolutely required to justify their plants by the purchase of from ten to twenty years' supply of raw material? Take coal mines, that is necessary, but the royalty on coal is a very minor item, it is only about 5 per cent, and it does not involve a great increase. At the same time, in the coal lands, which are held in advance of mining, the surface can be farmed and used during the process.

Take clay working concerns; their stuff does not cost them much of anything. I am interested in a brick works, and we have a big clay bank there that will last forty years, and we do not figure the raw material worth anything.

Take iron ore supplies; 55 per cent of the manufacturers of iron only carry a few months' supply of raw material on hand.

The United States Steel Corporation and its allied industries, I

believe, representing perhaps 45 per cent of the production, do carry some raw material, but the investment in raw material in the ground is perhaps only 15 per cent of the cost of the finished pig iron, while in the case of the lumberman the cost of the raw material is from 25 to 40 per cent, and he has got it on hand and the interest and taxes are constantly accumulating on it. You must either make enough in each year of profit to take care of that or must progressively receive each year an advance in the price of lumber to take care of it, or you must make in each year enough to represent the average cost over the whole period. There are those three methods.

In the back of this book I have outlined that in detail, showing just how a group of timber works out on those three methods, showing the working out of the three different methods.

And I would like to ask you gentlemen who are perhaps not familiar with it to read those figures.

**Commissioner Hurley:** We will, with a great deal of interest.

**Mr. Worcester:** It will illustrate how stumpage which starts at \$3 ends with \$7.50 accumulation of charges, or if you assume the average, if you paid \$3 you must start at \$4.75 over the whole period, or if you make enough in each year to equal the carrying charges, then you must charge the first year \$5.75 in order to carry your charges.

Now, this is one of the features which I think makes the lumber business in a class by itself, and we have got problems that are peculiar to ourselves, and I want to emphasize that to the Commission.

Now, if by any chance the directors of a furniture factory found themselves in the position of handling ten years' supply of lumber on hand and heavily in debt for the purchase, what would they do? They would probably go out in the lumber market and try to sell it right off, or if they could not sell it at a profit, they would run their factories night and day to work it up into something and get rid of it as quick as they could, and get down to a few months' supply on hand, and expect the lumberman to carry it for them. It has always been the lumberman's job to carry that raw material. Now, that used to be a profitable part of the lumberman's business, and up to 1907 it was profitable. There was an axiom in the lumber business that well-bought timber would carry itself with interest and taxes, and we would go anywhere and buy a piece of timber and say, "Oh, well, if we don't cut it this year it will be worth more next year," and well-bought timber would carry its interest and taxes. But it has not done



it in the last eight years, since 1907. In fact, stumpage is worth less today than in 1907. I say it is worth less, because stumpage, in the last analysis, is worth only what you can work out of it, after having made it up into lumber. The tree is not worth anything; you cannot sell a tree to a man who wants to build a house in Chicago, you have to make it up into lumber and deliver it in Chicago and deliver it on the job, and it is what is left after that process that the tree is actually worth.

As I say, since 1907 the situation has changed, and the West Coast people who thought they had such big bargains in timber out there are the sickest lot of people you ever saw, most of them. They cannot sell their stuff for what they paid for it ten years ago. And I suppose there are some hard luck stories in the South, also, and, of course, I could cite a great many in our own locality, and I could personally tell you some stories, but you can imagine that.

Now, I suppose the average business man would say, "Well, you lumbermen, if you are making too much lumber in the country, and that is what is the trouble with the market here, why don't you stop?" I have outlined some of the causes, but there are some causes local to our own district up there which are very hard to surmount, and I am emphasizing these causes as to why we do not handle this thing ourselves without any outside help, to show you that voluntary curtailment by the lumbermen is a very difficult thing. It cannot be handled voluntarily. It has got to be controlled in some way, because there are so many of them in debt that are being pressed by their creditors, that you cannot handle it voluntarily. We have tried to handle it. I am willing to confess to you, in spite of the Sherman Anti-Trust Law, that in our own section we tried to do what little we could do and it results in two or three doing it, and the rest do not do it; that is what it amounts to. We have not had any written agreement or anything of that kind, but we have got together and have all agreed that we were making too much lumber. Now, the cure for it is to stop making lumber. Now, we have made 26 per cent less, but it has not been because of any agreement, but because a lot of plants have been forced to do it.

Now another thing that prevents the lumbermen in our section from doing very much in this problem is the fact that we feel that our cut will not make any difference if we stop cutting altogether.

The government report for 1912 fixes the production of yellow pine at 14,737,000,000 feet. Now, the total cut of hemlock in Wis-

consin and Michigan is 1,145,000,000 feet. Now, you add those two together to get the total production of hemlock and yellow pine and hemlock is only 7.27 per cent of the total. Therefore, if we cut off  $33\frac{1}{3}$  per cent of our production, it will only amount to 2.4 per cent of the total production, which would not cut any figure; whereas, it would only take a reduction of 2.6 per cent in the production of yellow pine to equal  $33\frac{1}{3}$  per cent of our production.

Now, I have detailed these figures to show you what a comparatively small factor our hemlock cut is, and how little possible it is for the manufacturers to control the production.

The members of our Association in Wisconsin and northern Michigan manufactured in 1914 only 451,241,000 feet of hemlock. If we were able legally to control our members and cut no hemlock at all, the decrease in the total of yellow pine and hemlock would be only 2.8 per cent. So you see it does not do any good for us to try and cut it. This curtailment has to be handled in a broad way. The futility of curtailment by our manufacturers is illustrated by the fact that our members during the first five months of 1915 cut 24 per cent less hemlock than during the same period in 1914, with no appreciable result on the market. Radical curtailment on our part is unfair to us. We would be giving up our natural trade territory to yellow pine without changing conditions materially. A hemlock log produces nothing but common lumber. A yellow pine log produces 30 per cent of high-priced lumber and 70 per cent of common lumber, the combination yielding a higher average return for the whole log than the product of a hemlock log, which is all common lumber. The cost of logging yellow pine is 40 per cent less than the cost of logging hemlock. These figures enable the yellow pine manufacturers to absorb excess freight and to sell their common lumber in the northern markets at below the average cost of production, against the best of our hemlock lumber at cost, and take our business away from us as far north as a line drawn east and west through Milwaukee. If this competition against our hemlock could be carried on at a profit by the yellow pine mills, then we might admit that it was legitimate, but the figures that have been presented to you show that the yellow pine people are selling yellow pine in competition with us below the cost of production, and the fir people are, also. And if you go into that inquiry we can show you that they have begun it first and they have kept progressively at it, and all we have done is to trail. And today we are asking and trying to get \$1 to \$1.50 more per thousand than

yellow pine and are losing our business. They have driven us out of the cities, and driven us away up into Wisconsin. Go to Madison today and you will find 7,000 feet of yellow pine to 2,000 feet of hemlock. We are losing our own territory, we are being driven away up into the woods in the corner, all due to the fact that this enormous outside production of yellow pine is being put in through competition with us at below cost.

**Commissioner Hurley:** From the South?

**Mr. Worcester:** From the South and from the West.

**Commissioner Hurley:** Is it true, Mr. Hines made a statement this morning that one of the great objections to the white pine industry here was the Canadian shipments in here of cheap lumber. Is it true, since the tariff has been reduced that the price of white pine is higher than it was before the tariff was reduced or the tariff taken off, coming into this country?

**Mr. Worcester:** Well, he was referring to white pine. The price of yellow pine—yes, the price of yellow pine, I think, in those tables that Mr. Keith has given you will show that exact average. I do not remember just what time the tariff was taken off, but I have some figures here which will show you the average price of yellow pine, if you know the year the tariff was taken off.

**Commissioner Hurley:** The tariff was taken off three years ago, was it not?

**Mr. Keith:** October, 1913.

**Mr. Worcester:** Well, in 1913 the average price of yellow pine was \$16.65 and in 1914, \$13.59, and for the first six months of 1915, \$12.51.

**Commissioner Hurley:** That is the average?

**Mr. Worcester:** Yes.

**Commissioner Hurley:** That is cheap, No. 4 stock, the lower grades?

**Mr. Worcester:** That is the average of the whole log, everything that the log produces, from box lumber to cheap stock.

**Commissioner Hurley:** What page is that on?

**Mr. Worcester:** Appendix No. 3. That price list takes the census reports down to and including 1912, and starts with reports from there on, 1913, 1914 and 1915.

**The Chairman:** I think you had better proceed with your own line of thought, Mr. Worcester.

**Mr. Worcester:** I will be very glad to answer any questions.



**The Chairman:** Commissioner Hurley may ask you some questions after you get through.

**Mr. Worcester:** As I stated, if this competition could be carried on at a profit in these districts which are competing with us, we would admit it would be legitimate, that we have no right to complain of it. But it is being done at below cost of production. Now this competition is not malicious, they are not doing it because they want to do it; they are not selling stuff very low in Chicago and in Cincinnati at a higher price, and it is not what might be called malicious competition, such as a well thought out campaign to drive us out of the market, but the effect is the same. The effect is the same on us as if it was. It makes no difference. And the effect has become very disastrous.

Now, I am not a lawyer, but I have read the Act creating your Commission, and to an ordinary lumberjack it seems to me that you have it in your own hands, gentlemen, to help us, and defend us against this unfair competition, as I call it.

Section 5 of this Act states that unfair methods of competition in commerce are hereby declared unlawful. The Commission is hereby empowered and directed to prevent partnerships or corporations, except banks and common carriers subject to the Acts to Regulate Commerce from using unfair methods in competition in commerce.

Now, this Act does not define what are unfair methods of competition. It seems to me, as a layman and as a lumberjack as I say, that it is within the power of this Commission to determine what are unfair methods of competition, and if it appears on inquiry that this comes within the interpretation which is given it by this Board, and they decide that it is unfair competition, then they have the power to attempt to correct it. They have the power to institute a further inquiry to be made to confirm all this information which we have been putting in here, and to ascertain whether or not it is correct. Certainly, it seems incomprehensible to me that a body of gentlemen, intelligent men like yourselves, versed in business affairs, can sit here and listen to the statements which have been made affecting the third largest industry in the United States, and not feel that something ought to be done to correct the situation, in view of the fact that every country in the world is trying to conserve its timber resources. I personally believe that this clause gives you the power to help us and we want you to help us for Wisconsin and Michigan, because we are between the two jaws of a nut cracker, and we are getting it in the neck, to put it vulgarly.

Now, I am the father of this idea. I have felt this for some time back, and about six months ago I attended one of our Association meetings and I talked to our people and said here, we ought to bring suit. Here is this Federal Trade Commission coming on and they are going to take up these subjects. Now, if that Trade Commission is created for any purpose whatever, it is to help the business public, and we certainly need help. Now, one of the first subjects they will take up will be the first large industry which is presented to them. Let us make a formal charge against the yellow pine people. They are stealing our territory. We are competing against them. We know they are selling below cost and they are forcing us to do the same thing. Well, there was a difference of opinion among our people, and they said, "Oh, I do not think we ought to. They are not doing it purposely. We ought not to show an unfriendly spirit against the industry. They are in as bad a fix as we are." So I came down to this meeting with my statement, and, of course, I do not want to be classed as a black sheep among my brethren. I have a lot of friends in the business in the South and in the West, and I do not want to be rated as making a malicious attack upon them. So I talked the matter over with them a little and it resulted in my going to Mr. Boyle here and asking him his opinion of this phase of the matter, and we prepared, or Mr. Boyle prepared, some remarks on that subject of unfair competition, which I would like to read to you:

"In addition to the suggestions made as to Section 6 touching the Commission's power to give affirmative aid, I call attention to some considerations of Section 5, as the same relates to the question of power.

"Language of Section 5 to which attention is here directed is as follows:

" "That unfair methods of competition in commerce are hereby declared unlawful.

" "The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, and common carriers subject to the Acts to regulate commerce, from using unfair methods of competition in commerce.

" "Whenever the Commission shall have reason to believe that any such person, partnership, or corporation has been or is using any unfair method of competition in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be *to the interest of the public,*" etc.

"My original thought, as to the unfair competition section, was that its scope was confined to those business practices which, for a long period

of time, we have classified as unfair competitive methods, such as price discrimination, tying contracts, etc. The Clayton Bill, Sections 2 and 3, defines certain things as coming within the condemnation of the Act. The things condemned are within the scope of unfair competitive methods.

"The Trade Commission Act goes much farther and brings within its scope all unfair competitive methods that are hurtful to the public.

"Section 5 is all inclusive and gives the Commission large discretion. Now, it is to be noted that under Section 5 that public welfare is the test to be applied to the unfair practices investigated. Just what will be considered as unfair competition under the section is as yet a virgin question.

"As suggested, the resultant effect on the public is the touchstone to be used. It is clear that if the Yellow Pine people, for instance, with a view of crippling Hemlock interests, were to come into the territory of the latter and sell its product at less than cost, doing this with design and for a selfish purpose, such conduct would surely come within the purview of the Act,—that is, if it could be further shown that as a result of this situation public welfare was involved. It would seem that this conclusion must be sound.

"Assume, however, that as a result of market conditions, due to over-production, the Yellow Pine people were compelled to sell their product at less than cost, and under such circumstances invaded Hemlock territory? No unworthy purpose is involved. And further assume that this competitive condition is destructive of Hemlock interests, to the same extent as if unworthy ulterior motives were back of Yellow Pine interests. That as a result of these conditions public welfare was touched,—would not such a situation come squarely within the Act? In other words, it is a question as to the effect and not the intent which would be the deciding factor.

"The hypothesis last suggested represents the exact situation at the present time. The Hemlock people are subjected to unfair competitive conditions, and this due to the fact that Yellow Pine interests are selling their product in Hemlock territory at less than the cost of manufacture, with the result that Hemlock is being driven from the field,—and this for the reason that the interests exploiting Yellow Pine territory are more powerful financially than are the people interested in the manufacture of Yellow Pine.

"It is indeed not difficult to reduce a public interest touching a situation of the kind indicated. It is not our purpose to urge that the situation as here outlined is due to motives of unfairness on the part of the Yellow Pine people. We realize that over-production and uncontrolled competition are responsible; but whatever may be the cause, the result to the Hemlock people is the same.

"We, therefore, urge that if the Commission should conclude that under Section 6 that it has insufficient power to remedy the evils outlined at this hearing, then we urge that the Commission investigate the



unfair competitive conditions involved and advise with business interests that are so touched as to a remedy.”

You might add that as an appendix.

**The Chairman:** You had better mark that Exhibit A.

(The document referred to was marked “Worcester Exhibit A” and is attached to “Worcester Exhibit 1,” and made a part hereof.)

**Mr. Worcester:** Now, in closing this, I haven’t much more to say, but I do want to say this in regard to natural resources:

I said before that the lumberman was in a class by himself in so far as he relates to the various manufacturing concerns, the multiplicity of manufacturing concerns that you gentlemen will come in contact with in the conduct of your affairs.

But I want to say further that the timber resources of this country are in a class by themselves among the natural resources.

The supplies of mineral are underneath the ground and indefinite as to their extent. New discoveries are constantly being made and added to the resources of the country. Up in the copper country there is more copper in sight today than there was twenty years ago, and in the iron country it is the same. It is so pretty nearly all over the United States wherever minerals are being mined, because there you will find there is more stuff in sight today than there was when they began. We do not know how much iron, copper, oil, coal, and so forth, there is or how much will be discovered in the future. All that we know is what has already been found and proven to exist. Timber, however, as I say, is all above ground where it can be seen and counted, and we know within reasonable limits how much there is and how long it will last. We know there will never be any substantial additions to the present supply, as it has been well demonstrated that annual growth is balanced by deterioration of over-ripe timber and reforestation is a process involving several generations. The prosperity and existence of thousands of communities are dependent upon the extension of the life of our timber supplies. The lumber business, with its allied industries, is among the largest employers of labor in the United States, and any movement which tends to perpetuate the life and prosperity of this business also benefits the labor employed in the industry.

I think that is all, and I thank you very much for your courtesy.

**Commissioner Hurley:** I would like to make a comparison of what has happened in the case of the price of No. 4 and No. 5 white pine boards now, and before the tariff becomes effective.

**Mr. Downman:** The paper that I presented yesterday is the government report on the value of all species of lumber. You will find one exhibit there showing the white pine from 1906 to 1912 and the values of it, I think, as well as of the other species of wood.

**Commissioner Hurley:** Thank you very much. That will give me what I wish.

**Mr. Worcester:** I couldn't help you very much, I think, except by looking up the statistics, because we fellows up there haven't very much white pine left. We get a few thousand feet of it now and then, but there isn't very much of it left.

**Mr. Downman:** Mr. Keith, did you want to ask Mr. Worcester any questions?

**Mr. Keith:** No, I think Mr. Worcester has covered the matter so thoroughly that I do not believe there is a point that should be covered that he has not brought out.

**Mr. Downman:** I thought you were going to plead guilty.

**Mr. Keith:** I am perfectly willing to plead guilty. I think we pled guilty yesterday.

**The Chairman:** What do you know about the extent to which substitutes have encroached upon your market, Mr. Worcester?

**Mr. Worcester:** We find that cement has encroached to some extent on the market for good lumber, but, on the other hand, it has made a market for low-grade lumber in order to make the forms for the cement. You cannot use the cement without making a form to put it in, and that creates a demand for the lower grade lumber. At the Locks at the Soo Canal they are building now, they are going to build them of concrete and we are bidding on a large amount of lumber to go in to make those forms. The ore docks at Marquette, which are to be built all of cement, will have pretty near as much low-grade lumber in those concrete forms as they would have if they had built the dock of steel and timber.

**The Chairman:** Have you felt the competition of substitutes in the hemlock industry?

**Mr. Worcester:** We have felt it to an extent, but you can hardly put your finger on it. It is insidious; it eats in a little bit here and a little bit there. But, in the face of our losing our business in great big wads to yellow pine, the competition of substitutes has not interested us very much so far. We have felt the competition of cedar shingles. Our shingle mills up North are shut up. We cannot get anything for our timber making cedar shingles today, because it goes

away back up into British Columbia. British Columbia is shipping shingles into this country in competition with the West Coast, and both of them are shipping into this country in competition with us, and it has shut up our shingle mills. They are all of them selling below cost. In fact, in the shingle mills of the West, I understand—although this I get very largely from hearsay and lumber papers—a large number of the mills are being operated on a co-operative plan, and the men are taking about twenty per cent in cash and the rest in notes in order to keep some of those mills going. That is the condition of the industry.

**The Chairman:** What is the underlying reason for this condition of the competition of yellow pine with hemlock here in this market? Why is it? What is the necessity for it? Have they had to dispose of it in order to dispose of their stock, or just why does that situation obtain?

**Mr. Worcester:** The yellow pine manufacturers are in a little different position from what we are in the North. We manufacture our lumber and it goes green from the tail of the mill into the lumber piles, which, when you were a younger man, you have seen up in the Wisconsin Valley. You know a lumberman up there can pile up his lumber for a couple of months, and if he don't get any orders for a couple of months he doesn't need to worry. But the yellow pine manufacturer has to clean up his stuff just as soon as it is sawed and brought over from the planing mill, and it must either go into a warehouse or into the cars. Now, a warehouse that will accommodate any great amount of dressed and worked lumber has got to be an enormous affair.

The result is that the yellow pine people go crazy when there is, we will say, under-consumption or when there is over-production. They are all of them anxious for business; there is no way to regulate them, and there is no regulating the movement; there are no strings on anybody, anybody can do just as they please, and a great many of those concerns have bonds out; they are in debt, they have their interest and taxes to realize on, and they cut so much lumber every year and they just force it out into the market and keep going.

**The Chairman:** That is what I wanted to bring out.

**Mr. Worcester:** We are in the same situation, only we are not so bad off so far as our situation is concerned. We have more elasticity in our business. We can carry some stuff on hand and tide over a dull period.



**Mr. Keith:** Mr. Chairman, may I bring out just one point there in connection with your question?

Speaking of the necessity of cutting timber to take care of bond issues, the investigation that we have made in detail in getting this cost of production has shown in some instances, and in quite a good many instances, for that matter, that after they had sold the lumber and realized for their lumber, no excess over and above the cost of operation, exclusive of stumpage, the stumpage return itself was insufficient to meet bond requirements in some cases. And in some cases it was disclosed that as much as 80 cents a thousand had to be drawn on from the bank accounts, in order to make up the deficit after throwing the timber away.

Now, one other question that I would like to suggest in connection with your proposition as to the question of substitutes is this: I made a compilation in 1911-1912, and it is sworn testimony. It is an analysis of the situation of the per capita consumption of the United States. The figures are taken from the World Almanac and Encyclopedia, and from those of Overton W. Price, Assistant Forester. According to those figures it shows that between 1880 and 1900 there was an increase in population of 51.5 per cent; between 1900 and 1910 there was an increase of 21 per cent, and between 1880 and 1910 an increase of 83.4 per cent.

The per capita consumption in 1880 was 360 feet.

In 1900 it had increased to 460 feet. In 1910 it had increased to 532 feet per capita.

There was an increase from 10,000,000 barrels to 80,000,000 barrels in the consumption of cement in the United States, the greatest substitute which we have for lumber.

Now, this thing works back and we are having a continuation of it. It is true that we have a continuation where substitutes in the form of cement and iron and steel are cutting in upon lumber consumption, but on the other hand, there is another situation developing that overcomes that feature, and that is the increase in the population of the United States, and, consequently, while the per capita consumption may be decreasing, there is an increased amount by reason of the increase in population. Assuming the figures to run as they did in 1910, and assuming the figure to be 500 feet per capita instead of 532 feet, in order to make the figures easy of calculation, if we increased the increase at the same rate between 1909

and 1919, that we did between 1900 and 1909, and the consumption per capita continued in the same period in the same way, we have then three-quarters of a billion feet per annum increase in consumption, which is accumulative, and on the ten-year period it is equivalent to 7,500,000,000 feet annually. That is, annually.

Now, between 1880 and 1910, while there was an increase in population of 83.4 per cent, the actual increase in consumption of lumber was 172 feet. That was due to the fact that there was a 47.7 per cent increase in the per capita consumption during that same period, so that the point that I wanted to bring out so as to clarify your mind on the subject is this: I do not believe, taking the actual production of lumber since 1909, especially as far as the South is concerned, that there has been any increase in potential capacity to produce lumber. As a matter of fact, we believe that there has been an actual reduction that has taken place, and in order to bring that point out, assuming that the railroad consumption is 50 per cent of normal at present, and that the railroad consumption was 30 per cent of our normal production of yellow pine products, it would be equivalent to a 15 per cent reduction in consumption from that source. However, on the other hand, our percentage of reduction on our exports, as they were developed in the year prior to the war, represents a 50 per cent reduction there, which is an additional 6 per cent, or a total of 21 per cent. Assuming the building permits in the United States held up during that entire period, which they did not, we have a 21 per cent reduction in the consumption of lumber, which would make a consumption of 79 per cent of normal.

Now, what actually did occur was that during that period, our actual consumption, as far as the yellow pine industry representing 40 per cent of the business is concerned, was an actual consumption of over 90 per cent. That reasons out that our production has been on the decline. We are producing less lumber by reason of forest exhaustion. There has been no encouragement for the building of new mills except those who, because of contracts and bond issues, have had to build them.

Consequently, if we take the increase in the period of 1900 to 1910 in the population of the United States, taking into consideration the natural decline in production due to the exhaustion of our forests, it demonstrates that there has been practically no increase in the potential capacity to produce, and the effect of substitutes has therefore been a very minor situation.

**The Chairman:** That is all, I think, Mr. Worcester. We thank you very much.

**Mr. Downman:** Mr. Chairman, we will now proceed with the regular order. Mr. Hurley's question about the rise in white pine I would like to answer by reading the figures into the record.

The Government figures show that from 1906 to 1912, there was only a range in price from \$18.17 per thousand as a minimum to \$19.41 as a maximum price during that period.

## A STATEMENT OF FACTS CONCERNING THE BUSINESS OF THE MANUFACTURERS OF HEMLOCK AND HARDWOOD LUMBER IN WISCONSIN AND NORTHERN MICHIGAN

PRESENTED BY THE NORTHERN HEMLOCK AND HARDWOOD MANUFACTURERS  
ASSOCIATION COMMITTEE

C. H. Worcester, Chairman

H. W. Moore

O. T. Swan, Secretary

### Summary

The Committee in presenting this statement desire to say that we believe that the statements and statistics given herein are true and representative of this particular industry.

It was not possible in our loosely woven Association to get data from all of the members, but we believe we have a fair average. We would welcome an investigation of each individual firm and believe that such an expert investigation would substantially confirm what we have stated herein.

The statistics collected and displayed on following pages may be summarized as follows:

*First.* Over-production of lumber equal to 31% in 1914 and first 5 months of 1915 equal to 22%.

*Second.* Resulting great demoralization of prices and losses to manufacturers.

*Third.* Losses to labor from reduction in wages paid.

*Fourth.* Losses to the public and to manufacturers consequent upon inability to cut all the timber growing on lands without entailing increased losses.



- Fifth.* The cost of carrying timber lands and difficulties in the way of voluntary curtailment.
- Sixth.* Competition with Yellow Pine and other Southern woods.
- Seventh.* Suggestion as to a "Cure" for the situation.

Output

The Northern Hemlock & Hardwood Manufacturers Association comprises 80 manufacturers of lumber in Wisconsin and Northern Michigan. The lumber produced by these concerns covers sixteen different species of woods. The principal woods manufactured being proportioned as follows:

Hemlock .....	60%
Maple .....	14%
Birch .....	14%
Basswood .....	6%
Elm .....	4%
Ash .....	1%
Oak .....	1%

During the year 1914 the members produced of hemlock and mixed hardwoods .....	823,513 M. ft.
Inventories of this stock on hand January 1, 1914, totaled.....	350,085 M. ft.
	<hr/>
	1,173,598 M. ft.
Total shipments for 1914 were.....	626,999 M. ft.
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Inventories January 1, 1915.....	546,599 M. ft.

Note that amount manufactured in 1914 was 196,514 M feet in excess of shipments, or 31%; also that Inventory of January 1, 1915, exceeds that of January 1, 1914, by 196,514 M feet, or 56%.

If these plants had been operated to their full potential capacity during 1914 they would have produced 1,497,454 M feet and the surplus over shipments would have been 870,455 M feet, or 138%.

For the first 5 months of 1915 the member plants produced.....	277,450 M. ft.
Add January 1, 1915 inventories.....	546,599 M. ft.
	<hr/>
	824,049 M. ft.
The shipments during this period were.....	227,264 M. ft.
	<hr/>
Inventories June 1, 1915.....	596,785 M. ft.

Note that production exceeded shipments by 50,186 M feet, or 22%. Also that Inventory June 1, 1915, exceeds Inventory of January 1, 1915, by 9%.

If the member plants had been operated to full capacity during this period the excess of lumber cut over shipments would have been 460,426 M feet, or 202%.

These figures show the accumulation of a large surplus stock of lumber in the hands of our members, in spite of the fact that during the first 5 months of 1915 26% less lumber was manufactured than during corresponding 5 months of 1914.

*Results of Over-production.* This over-production and surplus stock in the hands of our manufacturers, coupled with the keen competition of Southern lumber sold in Northern markets at below cost of Southern production has caused a complete demoralization of the market.

A struggle exists today among the members of the Association to dispose of their product in competition with each other, in competition with manufacturers not members and in competition with Southern, Eastern and Western woods.

The result is that the business of the members is being conducted at a loss, the natural forest resources of our section of this country are being sacrificed and wasted and it is only a question of a short time when the endurance of the strongest will make itself felt and the curse of over-production will be cured by the crushing out of the weaker firms. In support of this statement we append below a statement showing the average cost of the standing timber being now used by members, also the average cost of producing the different kinds of lumber:

### Present Cost of Stumpage Now Being Used by Members

	Hemlock.	Maple.	Birch.	Basswood.	Elm.	Ash.
Estimated average value of timber Jan. 1, 1907.....	\$2.50	\$1.50	\$4.00	\$6.00	\$5.00	\$6.00
Proportion of taxes, 1907.....	.025	.014	.039	.059	.049	.059
6% Interest on cost.....	.15	.09	.24	.36	.30	.36
1% Depreciation .....	.025	.015	.04	.06	.05	.06
Total cost Jan. 1, 1908....	\$2.700	\$1.619	\$4.319	\$6.479	\$5.399	\$6.479
1908 Taxes .....	.025	.015	.041	.062	.052	.062
6% Interest .....	.162	.097	.259	.389	.334	.389
1% Depreciation .....	.027	.016	.043	.065	.054	.065
Total cost Jan. 1, 1909....	\$2.914	\$1.747	\$4.662	\$6.995	\$5.839	\$6.995
1909 Taxes .....	.028	.017	.047	.07	.059	.07
6% Interest .....	.175	.105	.28	.42	.35	.42
1% Depreciation .....	.029	.017	.047	.07	.058	.07
Total cost Jan. 1, 1910....	\$3.146	\$1.886	\$5.036	\$7.555	\$6.306	\$7.555
1910 Taxes .....	.029	.018	.049	.074	.062	.074
6% Interest .....	.189	.113	.302	.453	.378	.453
1% Depreciation .....	.031	.019	.05	.075	.063	.075
Total cost Jan. 1, 1911....	\$3.395	\$2.036	\$5.437	\$8.157	\$6.809	\$8.157
1911 Taxes .....	.031	.019	.051	.077	.064	.077
6% Interest .....	.204	.122	.326	.489	.408	.489
1% Depreciation .....	.034	.02	.054	.082	.068	.082
Total cost Jan. 1, 1912....	\$3.664	\$2.197	\$5.868	\$8.805	\$7.349	\$8.805
1912 Taxes .....	.042	.025	.067	.101	.084	.101
6% Interest .....	.22	.132	.352	.528	.441	.528
1% Depreciation .....	.037	.022	.059	.088	.073	.088
Total cost Jan. 1, 1913....	\$3.963	\$2.376	\$6.346	\$9.522	\$7.947	\$9.522
1913 Taxes .....	.054	.032	.086	.129	.108	.129
6% Interest .....	.238	.142	.381	.571	.477	.571
1% Depreciation .....	.04	.024	.063	.095	.079	.095
Total cost Jan. 1, 1914....	\$4.295	\$2.574	\$6.876	\$10.317	\$8.611	\$10.317
1914 Taxes .....	.054	.031	.085	.128	.107	.128
6% Interest .....	.258	.154	.412	.619	.517	.619
1% Depreciation .....	.043	.026	.069	.103	.086	.103
Total cost stumpage, Jan. 1, 1915 .....	\$4.650	\$2.785	\$7.442	\$11.167	\$9.321	\$11.167



## of Northern Hemlock &amp; Hardwood Association

Oak.	Beech.	Pine.	Cedar.	Tam.	Spruce.	Balsam.	Norway.	Avge.
\$6.00	\$ .50	\$12.00	\$3.00	\$2.00	\$5.00	\$3.00	\$8.00	\$3.07
.059	.005	.118	.029	.02	.049	.029	.078	.03
.36	.03	.72	.18	.12	.30	.18	.48	.184
.06	.005	.12	.03	.02	.05	.03	.08	.031
\$6.479	\$ .54	\$12.958	\$3.239	\$2.16	\$5.399	\$3.239	\$8.638	\$3.315
.062	.005	.124	.031	.02	.052	.031	.083	.032
.389	.032	.777	.194	.129	.334	.194	.518	.199
.065	.005	.129	.032	.022	.054	.032	.086	.033
\$6.995	\$ .582	\$13.988	\$3.496	\$2.331	\$5.839	\$3.496	\$9.325	\$3.579
.07	.006	.14	.035	.023	.059	.035	.093	.036
.42	.035	.839	.214	.139	.35	.214	.559	.215
.07	.006	.140	.035	.023	.058	.035	.093	.036
\$7.555	\$ .629	\$15.107	\$3.780	\$2.516	\$6.306	\$3.780	\$10.070	\$3.866
.074	.006	.148	.037	.025	.062	.037	.098	.038
.453	.038	.906	.227	.151	.378	.227	.604	.232
.075	.006	.151	.038	.025	.063	.038	.011	.038
\$8.157	\$ .679	\$16.312	\$4.082	\$2.717	\$6.809	\$4.082	\$10.783	\$4.174
.077	.006	.154	.038	.026	.064	.038	.103	.039
.489	.041	.979	.245	.163	.408	.245	.647	.25
.082	.007	.163	.041	.027	.068	.041	.011	.042
\$8.805	\$ .733	\$17.608	\$4.406	\$2.933	\$7.349	\$4.406	\$11.544	\$4.505
.101	.008	.203	.050	.033	.084	.050	.130	.052
.528	.044	1.056	.264	.176	.441	.264	.692	.27
.088	.007	.176	.044	.029	.073	.044	.011	.045
\$9.522	\$ .792	\$19.043	\$4.764	\$3.171	\$7.947	\$4.764	\$12.377	\$4.872
.129	.010	.259	.064	.043	.108	.064	.172	.066
.571	.048	1.143	.286	.190	.477	.286	.743	.292
.095	.008	.190	.047	.032	.079	.047	.012	.049
\$10.317	\$ .858	\$20.635	\$5.161	\$3.436	\$8.611	\$5.161	\$13.304	\$5.279
.128	.009	.257	.063	.043	.107	.063	.171	.066
.619	.051	1.238	.31	.266	.517	.31	.798	.317
.103	.009	.206	.051	.034	.086	.051	.013	.053
\$11.167	\$ .927	\$22.336	\$5.585	\$3.719	\$9.321	\$5.585	\$14.286	\$5.715

The above figures show plainly that the unsettled competitive conditions prevailing in the lumber business have caused a serious loss to several thousand owners of timber lands in Wisconsin and Northern Michigan, as the following figures will show that stumpage at above cost cannot be manufactured and sold without a large loss to the operator.

See Appendix Page — for further information as to collection of statistics on this subject, also reports published and not yet published of U. S. Forestry Bureau on Timber Values in Wisconsin and Michigan in 1907 and 1912.

### Operating Cost and Realization

Compilation of the reports from member manufacturers, averaged, furnish the following average cost of production on hemlock and mixed hardwoods:

	Av. cost per M. ft.
<i>Logging—</i>	
Includes all expense from stump to cars or banks, absorption of railroad spurs and depreciation of log equipment.....	\$ 7.81
<i>Log Freights—</i>	
Actual freights paid.....	1.66
	<hr/> \$ 9.47
Logs produced an average of 35% overrun, reducing the log cost per M. ft. lumber produced to.....	7.01
<i>Manufacturing Expense—</i>	
Includes everything from cars or water to the pile in yard.....	3.11
<i>Shipping—</i>	
Includes all expense of yarding and loading.....	1.074
<i>Sales Expense—</i>	
Includes all expense of selling product.....	.527
Discounts and allowances.....	.334
<i>Depreciation—</i>	
Includes only reasonable depreciation and absorption of manufacturing plant and allied property.....	.757
<i>General Expense—</i>	
Includes taxes (exclusive of taxes on timber), insurance, salaries, etc.....	.989
Lumber, average cost per M. ft., without any stumpage or without any interest on capital used in operation.....	\$13.80
Average prices received on the average product Jan. 1 to June 1, 1915.....	15.32
	<hr/>
Margin left for stumpage and interest. ....	\$ 1.52
Average cost of stumpage \$5.48, reduced by 35% overrun to.....	4.06
	<hr/>
Average loss .....	\$ 2.54
In addition there is a further loss in interest on money used in manufacturing plant, stock on hand, book accounts, etc.	

### Individual Operating Cost and Realization of Each of the Principal Woods Manufactured

	Hemlock.	Birch.	Basswood.	Maple.	Elm.	Ash.	Oak.	Avge.
Total stumpage cost Jan. 1, 1915.	\$ 4.65	\$ 7.442	\$11.167	\$2.785	\$9.321	\$11.167	\$11.167	\$5.485
Logging .....	7.20	9.31	7.20	9.31	7.20	7.20	9.31	7.81
Log freight.....	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cost of logs at mill .....	\$13.51	\$18.412	\$20.027	\$13.755	\$18.181	\$20.027	\$22.137	\$14.955

35% overrun re-  
duces lumber log

cost to .....	10.00	13.638	14.834	10.188	13.467	14.834	16.392	11.077
Manufacturing ...	2.90	3.61	2.90	3.61	2.90	2.90	3.61	3.11
Shipping .....	1.074	1.074	1.074	1.074	1.074	1.074	1.074	1.074
Sales expense.....	.527	.527	.527	.527	.527	.527	.527	.527
Diset. & deductions	.334	.334	.334	.334	.334	.334	.334	.334
Depreciation .....	.757	.757	.757	.757	.757	.757	.757	.757
General expense..	.989	.989	.989	.989	.989	.989	.989	.989
	<u>\$16.581</u>	<u>\$20.929</u>	<u>\$21.415</u>	<u>\$17.479</u>	<u>\$20.048</u>	<u>\$21.415</u>	<u>\$23.683</u>	<u>\$17.868</u>

Av. prices realized

Jan. 1, 1915, to

June 1, 1915...	13.17	19.15	21.30	15.55	20.13	22.53	25.43	15.32
Loss .....	\$ 3.411	\$ 1.779	\$ .115	\$ 1.929	.....	.....	.....	\$ 2.548
Profit .....	.....	.....	.....	.....	\$ .082	\$ 1.115	\$ 1.747	.....

The foregoing statement of cost and realization confirms the statement previously made that the business of the members is being conducted at a loss. It shows conclusively that based upon what were acknowledged to be fair stumpage values eight years ago the present average selling prices for lumber show a loss of from \$3.41 to 11½¢ per thousand feet of lumber and an average loss of \$2.54. We believe that these figures apply also to all manufacturers not members of our Association.

Extended comment on this situation at this point is unnecessary, as the figures speak for themselves.

*Labor Shares in the Loss.* When business is being conducted at a loss there follows an effort to readjust business methods to meet new conditions. An effort is made to reduce the cost of manufacture and the first step is to reduce labor cost by reduction of wages paid. We show below schedule of average wages paid in woods during years 1912 to 1915:

### Woods Work Wage Statistics

Collected from members of Association and averaged. Board and lodging in addition to wages is included:

	January, 1912.	January, 1913.	January, 1914.	January, 1915.
Bark peelers, per cord.....	\$ 2.60	\$ 2.55	\$ 2.45	\$ 2.35
Railroad engineers .....	80.82	80.82	72.50	72.50
Railroad firemen .....	44.00	44.00	39.00	39.80
Railroad conductors .....	45.67	45.67	45.67	45.67
Railroad brakemen .....	40.00	40.00	34.40	34.40
Railroad track foremen.....	44.17	44.17	44.17	39.00
Railroad laborers .....	30.92	32.08	30.50	22.00
Hired teams, skidding .....	25.00	25.00	22.50	17.50
Hired teams, hauling .....	31.50	30.67	29.00	22.83
Hired team and teamster (2 horses).....	50.00	50.00	50.00	45.00



	January, 1912.	January, 1913.	January, 1914.	January, 1915.
Hired team and teamster (4 horses) .....	80.00	80.00	80.00	75.00
Sawyers .....	32.71	33.39	32.46	24.87
Log scalers .....	52.08	53.33	52.05	51.05
Swampers .....	28.96	29.46	28.46	19.92
Roadmen .....	28.73	29.00	28.00	19.45
Cant hook men .....	35.00	35.99	34.92	28.73
Teamsters .....	34.04	34.00	33.65	28.81
Jammer Crew—				
Tailing down .....	31.25	31.17	31.25	25.07
Hookmen .....	32.55	32.91	32.55	26.82
Top loaders .....	38.13	37.50	37.92	33.98
Engineers .....	59.00	59.00	59.31	55.88
Blacksmiths .....	58.41	58.41	60.23	56.82
Barnmen .....	32.58	32.58	32.58	28.83
Cooks .....	69.32	70.57	69.85	67.62
Cookees .....	31.38	31.69	31.85	27.15
Choreboys .....	28.29	28.46	28.75	24.58
Camp foremen .....	82.96	82.96	82.96	81.17

During the year 1912 and the first half of 1913 conditions in the lumber business were fairly good. A surplus of lumber began to be felt in Fall of 1913 and during Winter of 1913 and 1914 prices declined, carrying with the decline a reduction in price paid for woods labor. This decline commences in above figures for 1914. As the lumber market further declined the wages paid also declined further as indicated in 1915 column.

Reductions in wages at the manufacturing plants have also been made to the amount of 4.15%, but these have not been so marked as the reduction in common labor in the woods, which averages 13%.

See schedules of wages paid in saw mills in 1912-1913-1914 and 1915 in Appendix.

The total paid out for labor in the production of 1,000 feet of mixed hard and soft wood lumber in Michigan and Wisconsin is very close to \$9.00. During the Winter of 1914 and 1915 and during the first six months of 1915, reductions in wages have been made as high as 20% in woods labor. We believe that the total reduction in price paid labor of all kinds is close to 10%, or 90c per 1,000 feet.

The amount of lumber cut and to be cut during 1915 in Wisconsin and Northern Michigan by Association members is estimated at 600,000 M. feet. Therefore, it is evident that on account of the over-production and depreciation of price of lumber, labor will suffer a loss of about \$540,000.00 during 1915 in this district in reduced wages, and as above estimated cut of 600,000 M. feet is 223,513 M. feet less than the cut of 1914, there has been a further loss of labor of \$9.00 per M. on 223,513 M.

feet of lumber not manufactured this year, which amounts to \$2,011,-617.00, making a total loss to labor in 1915 of \$2,551,617.00 in operations of Association members only.

The operations of Association members include not more than 60% of the total production in this territory; therefore it is reasonably safe to assume that the total loss to labor is close to \$4,252,695.00 and we believe that curtailment of cut has been per force carried to a greater extent by smaller non-Association firms and that the loss to labor is really much greater.

This labor statement shows plainly that unprofitable business conditions immediately re-act on labor earnings.

*Waste of Timber.* The second move to reduce costs is to leave more timber in the woods to be burned up and lost to the public. Logging costs vary up and down according to the size and quality of timber cut. If only the largest and best is cut the logging cost is low. If the timber is cut close and all trees removed the logging cost is high. This difference in most cases amounts to \$2.00 per M. At present prices of lumber, small and under average quality trees are left in the woods, as logging cost is too high to make it pay, and this applies equally to the process of manufacture in the mills. When prices are low and a large surplus production exists the manufacturers are forced to waste their timber. The amount of timber left in the woods varies greatly according to the quality and quantity per acre of the timber being cut. In some cases it is very large, but there is no data existing on which to base an accurate statement. Authorities in different parts of the States of Wisconsin and Michigan have been consulted and their statements averaged, showing under 1915 market conditions a loss of 2,000 feet to the acre of timber wasted for lumber purposes through inability to manufacture it without a loss at present prices. This causes a serious loss to the community and to the lumberman, a loss which has been pointed out many times by economists and for which the lumberman has been roundly abused. The lumberman is anxious to remedy this condition and would do so if allowed to create a condition which would enable him to cut all merchantable wood and still make a profit.

*Acreage Used Up Annually.* The forested lands of Michigan and Wisconsin vary greatly in yield of timber, cutting from 5,000 feet to 15,000 feet per acre. An estimate of 8,000 feet to the acre is considered a high average for the district. With a total cut for Michigan and Wisconsin of 2,987,703 M. feet (1912 U. S. figures) it would require

373,464 acres to furnish this timber. With a loss of 2,000 feet to the acre on account of inability to realize on it there is an economic loss annually in this district of 373,464 acres X 2,000 feet equals 746,928 M. feet; which computed at \$4.00 per M equals \$2,987,708.00. If this timber was all cut it would require 74,694 acres less to produce the total cut. Under present conditions we are destroying 25% more forest than is necessary to produce the amount of lumber required by the public.

*Pressure on the Lumbermen.* Our conservationist friends in the various associations organized for that purpose in this country and the United States Forest Service point out that the lumbermen are at fault and are making their own troubles, manufacturing more lumber than the country needs and not only ruining one of the great businesses of the country, but also wasting important and necessary natural resources of the country by wasteful methods of cutting and artificially depressing the value of standing timber.

To this indictment the lumbermen must plead guilty, but at the same time they also enter in justification the plea of self-defense. The fact is that the lumbermen of this country are being driven. They are not voluntarily running a reckless, thoughtless race. Most of them have no choice. It is a case of "Needs must when the devil drives" and in this case there are several devils, the most prominent among them being our old friends—interest and taxes—a team always on the job, working days, nights and Sundays, and driving the lumberman to do the same thing. Carrying charges on standing timber are increasing, due to the compounding of interest, the large increase in taxes, losses by fire and wind storms and increasing cost of care and surveillance. Happily, interest rates have not increased, but the total annual charges are such that large numbers of lumber manufacturers are forced by financial need to cut more lumber when the price is low than when it is high, as they must have certain sums of money each year with which to pay accrued debts and interest and taxes. When the price is low they must cut more lumber, as it requires more feet at the lower price to provide the funds. There are a large number of lumbermen in exactly this predicament and also a large number who are not in this condition. Those who are in debt feel that they have no choice; regardless of price, they must continue to run their mills to the limit of production. In times of depression these concerns, through necessity, demoralize prices by their eagerness borne of necessity, to sell. As before stated, there are many lumbermen who are not heavily in debt



and not forced to run their mills when prices are such that there is no profit, but here again the twin devils, interest and taxes, are driving days, nights and Sundays, and the interest money, which in most cases represents income upon which to live, is just as dear to the investor in stumpage as it is to the investor in farm mortgages or municipal bonds. The pressure is greatest on the man in debt, but it is there also with the man who is not in debt, but fears to lose the legitimate interest which is his due.

*Carrying of Stumpage for Long Periods Required.* About all of this pressure on the lumberman to manufacture more lumber than the country wants arises from exceptional features which are the foundation of the business and which create a unique situation in the commercial world for the lumberman. I refer to the fact that most of the lumber manufacturers of this country are obliged to own and carry on hand the raw material with which to run their mills for ten to twenty years. Consider this a minute. How many manufacturing concerns outside of the saw milling business do you know of that have more than a few months' supply on hand of raw materials? There are a few minor industries, such as quarries, clay working concerns, cement works, etc., that have a stock of raw material sufficient to support their operations for many years, but these supplies are of the cheapest character and represent very small investment of capital. Fifty-five per cent of the steel and iron industry of this country carry only a few months' supply of ore on hand, while only about 45 per cent carry any considerable reserves. But in this latter case the value of the ore in the ground is only about 5 per cent of the value of finished pig iron, while the lumberman's raw material represents from 15 per cent to 40 per cent of the value of the finished lumber. Probably 90 per cent of the manufacturing concerns in this country carry only a few months' supply of raw materials on hand, the carrying charge on which is very small tax on their business.

If by any chance the directors of a furniture factory found themselves in the position of having ten years' supply of lumber on hand and heavily in debt for the purchase, what would they do? They would probably go into the lumber business at once and get rid of it as quickly as possible by selling it on the open market. But if they found they could not do that at a profit, they would undoubtedly run their factory night and day and make it up into something salable as fast as possible and get down to a few months' supply, expecting the saw mill man to carry the raw material and supply it to them as they are

ready to cut it up and make it into furniture. The factories that use lumber, the railroads, the contractors, would regard a proposition to carry in stock a few years' supply of raw material as a ridiculously unbusinesslike proposition, involving the use of large amounts of capital, expense of interest, taxes, risk of fire losses and deterioration. Why carry such a stock when the lumbermen are there to do it for us? The lumberman has always done this and why should he not continue to do so indefinitely? The answer is that the lumberman has done this in the past because he could afford to and the holding of large stocks of timber was in the past a profitable part of his business, but during the past eight years conditions have changed and this is no longer true.

Large groups of land acquired twenty to thirty years ago at \$1.25 to \$5.00 an acre could be carried twenty years at compound interest and still show a good profit, but the lumberman who bought his stumpage at prices ruling in 1907 does not find himself in the same position. He paid \$2.00 to \$2.50 in 1907 for Hemlock and he finds that this stumpage today has cost him about \$4.60 and if carried eight or nine years more will cost him close to \$9.00. He also finds that the average cost of logging is greater and also the cost of his stumpage has doubled. He cannot sell his lumber for enough more in 1914 to equal the increase in the cost of the stumpage and the cost of logging and producing the lumber.

*Results of Over-production.* With the menace of constantly advancing cost of raw material what does the average lumberman think? He thinks that he must cut this timber or it will eat his head off. He runs his mills night and day and doubles his cut. His neighbor does the same and the result is an overstocked market, intense competition for business, falling prices, no profit, temporary cessation of production. Then when the market begins to show a little strength, all go at it again, driven on by interest and taxes. This process has been in full swing for some time back and the question is, What will it do to the timber resources of the country?

Conservationists employed by the Government preach the gospel of saving the timber for future generations, and the lumberman would hail with delight the means which would make it practicable to cut timber closer, utilize waste and conserve his raw material. The lumberman knows how to do it if he is allowed to do it, but on the present cost of production and present lack of profit, no lumberman can adopt any conservation methods in the conduct of his business, as it would certainly increase the cost of production and cause a larger loss at the

end of the year. The lumbermen know what ought to be done and would be glad to co-operate with the Government foresters to the end that their raw material might be conserved, but the same Government which advocates conservation also employs trained lawyers whose business it is to prosecute all who by agreement among themselves attempt to manage their businesses so as to accomplish what the Government conservationists advocate. The lumberman is certainly being driven from the front and rear and there does not seem to be any place to sidestep.

Here is a commodity necessary for the welfare of the country. The supply each year becomes less. The growth of new timber in most cases is a negligible quantity. The end is not far off; yet the owners of this timber cannot afford to conserve it under present conditions.

*Local Difficulties of Curtailment.* The foregoing causes for non-curtailment of production are felt by lumbermen all over this country, but there are others which are peculiar to the location and character of the operation of lumbermen in Wisconsin and Northern Michigan. A large number of the manufacturers in that locality are dependent for their log supply upon Winter operations involving sleigh hauls, the driving of logs down streams and transportation by railroad long distances to their mills, requiring the accumulation during the Winter of sufficient stock to supply their mills for a year ahead. Only a part of the mills in this section operate so as to cut timber the year around and continuously supply their mills. Winter operations involving the harvesting of a year's supply of logs must be planned and begun at least the year before and when started cannot be curtailed without severe loss. The crop once cut and on hand at the close of a Winter's work must be cut into lumber and realized on regardless of market conditions, as a large part of the logs will be spoiled for good lumber if carried through the Summer months. Severe losses are often incurred by lumbermen who are obliged to plan the accumulation of stocks of raw material one or two years ahead of their needs during normal times only to find when their crop is harvested that the market is overstocked and prices too low to allow a margin of profit. Nevertheless the crop of logs cut must be sawn into lumber and sold. A lumberman cannot curtail production with a large stock of logs on hand that will "doze" or sink or perhaps burn up. He usually prefers a certain loss to facing a possible larger loss by carrying the logs over until next year.

There is also much hardship and some suffering consequent upon the closing down of a saw mill. Such plants are usually located be-



yond the settled country away from varied industries and the community surrounding the mill is usually entirely dependent upon its operation for a livelihood. Every lumberman who has a well organized crew prefers to run at a loss as long as he can stand it rather than disrupt his business organization by shutting down his mill. An equitable universally distributed curtailment of less than 7% would be no hardship to any community. Another cogent reason for non-curtaiment in this section of the country is the feeling the lumberman has that the cut of lumber in this part of the country is such a small factor as compared with the South, which is our most active competitor, that curtailment by the mills in Wisconsin and Michigan will have little or no effect in the face of the fact that the Yellow Pine mills of the South cut in one month more than our entire district does in a year.

The Government report for 1912 fixes the production of yellow pine  
at .....14,737,052 M. ft.

We use the statistics for 1912, as this is the latest canvass.  
Figures for 1914 are undoubtedly higher.

The total production of hemlock in Wisconsin and Michigan for 1912  
was ..... 1,145,867 M. ft.

Total Southern yellow pine and Wisconsin and Michigan hem-  
lock .....15,882,919 M. ft.

Hemlock percent of total..... 7.21%  
Yellow pine percent of total..... 92.79%

If the Hemlock manufacturers of Wisconsin and Michigan reduced their cut 33 1/3% or 381,955 M, this reduction would make a difference of only 2.4% in the total volume of Hemlock and Yellow Pine produced. Whereas it would only require a reduction of 2.6% in the production of Yellow Pine to equal the same effect as 33 1/3% curtailment on the part of the Hemlock manufacturers of Wisconsin and Michigan.

Computations of this kind can easily be carried further and the relative position of Hemlock as compared with other competitive woods such as Fir and Spruce detailed, but the above is sufficient to show what a small factor comparatively our Hemlock cut is and how little control it is possible for the manufacturers of Wisconsin and Michigan to exercise upon the problem of over-production.

The members of our Association in Wisconsin and Northern Michigan manufactured in 1914 only 451,241 M feet of Hemlock. If we were able legally to control our members and cut no Hemlock at all, the decrease in total of Yellow Pine and Hemlock would be only 2.8%. The futility of curtailment by our manufacturers is illustrated by the fact that our members during the first 5 months of 1915 cut 24% less

Hemlock than during the same period in 1914, with no appreciable result on the market. Radical curtailment on our part is unfair to us. We would be giving up our natural trade territory to Yellow Pine without changing conditions materially. A Hemlock log produces nothing but common lumber. A Yellow Pine log produces 30% of high priced lumber and 70% of common lumber, the combination yielding a higher average return for the whole log than the product of a Hemlock log which is all common lumber. The cost of logging Yellow Pine is 40% less than the cost of logging Hemlock. These features enable the Yellow Pine manufacturers to absorb excess freight and to sell their common lumber in Northern markets at below the average cost of production against the best of our Hemlock lumber at cost and take our business away from us as far North as a line drawn East and West through Milwaukee. If this competition against our Hemlock could be carried on at a profit by the Yellow Pine mills, then we might admit that it was legitimate, but the statistics of Yellow Pine industry show plainly that when prices of Yellow Pine are at a point above their cost of production we can hold our own with Hemlock, but when Yellow Pine is sold below the cost of production as it has been sold during the past 12 months we lose our business. We claim that this is unfair competition, against the sentiment of the present administration and against public policy. We have complained to the Southern manufacturers about this unfair competition, but their answer is that they cannot control the practice as they are not allowed to create or maintain any regulating medium. It is each man for himself and the survival of the fittest. The greatest demoralization exists in the Yellow Pine business today and we believe that the products of these mills sold at below cost are responsible for creating a like condition throughout the country in other districts, as modern transportation methods distribute this lumber all over this country and the product of the North, the West and the East must compete with an enormous volume of production from the South sold below cost. We emphasize that the lumber production of the North is keenly competitive with that of the South and that of the West is competitive with both the South and the North, and the Eastern production is also fighting both the North and the South. If these four districts were each allowed to regulate by curtailment of product their own districts there would still remain a keen competitive situation. Prices could not be raised unduly in any district without causing an importation of lumber into that district.

We have enlarged upon the difficulties involved in curtailment to

explain why the lumbermen of our section do not individually at once take action to remedy the situation. All of the foregoing detailed difficulties in the way of curtailment which are both local to our district and those universal to all could be surmounted if we had the right to organize to do it. It does seem that the prominent lumberman who recently said that the lumbermen of this country needed a guardian spoke the truth. They do need a guardian to conserve their properties, but it must be a guardian with authority to act and compel obedience. It is estimated that a curtailment of 6% by all the manufacturers of this country would effect a cure, but this can only be accomplished fairly by concerted action. It is not fair or just to expect the manufacturers of one district to curtail  $33\frac{1}{3}\%$  while the mills of another district curtail only 2.4% or not at all. Curtailment to be effective and fair to all must be co-operative and only by co-operation can we avoid the stronger firms and corporations eventually forcing curtailment by driving the weaker concerns out of the business. This process is in active operation this year. There have been many failures and there will be many more before the year 1915 is ended. We do not believe that the public is entitled to the temporary results of ruinous and unfair competition in any industry in this country. We believe that it is against public policy to allow any large widespread industry to continue the practice of ruinous and unfair competition such as is now widespread throughout this country in the lumber business.

*The Remedy.* The remedy is easy and it is spelled Co-operation. Co-operation which in every line of human effort (except business in the U. S.) is hailed as the most effective agency for advancement. Permission by the Government of this country to apply effective regulations limiting the production of lumber to the normal needs of the country could be initiated quickly, subject to the guiding and correcting hand of the Government and a great industry would be quickly restored to its normal condition to become an important factor at once in the rejuvenating of business prosperity in this country.

*Natural Resources.* In closing this statement we wish to say that the timber lands of this country are in a class by themselves among the natural resources which should be conserved. The supplies of minerals are underneath the ground and indefinite as to their extent. New discoveries are constantly being made and added to the resources of the country. We do not know how much Iron, Copper, Oil, Coal, etc., there is or how much will be discovered in the future. All that we know is what has already been found and proven to exist. Whereas



timber is all above ground where it can be seen and counted. We know within reasonable limits how much there is and how long it will last. We know that there will never be any substantial additions to the present supply, as it has been well demonstrated that annual growth is balanced by deterioration of over-ripe timber and re-forestation is a process involving several generations. The prosperity and existence of thousands of communities are dependent upon the extension of the life of our timber supplies. The lumber business with its allied industries is the largest employer of labor in the United States, and any movement which tends to perpetuate the life and prosperity of this business also benefits the labor employed in the industry.

## APPENDIX I

### Explanation of Process Used in Arriving at Stumpage Values

The cost of stumpage presents many interesting factors and in the following we have endeavored to trace the cost of stumpage in Wisconsin and Northern Michigan, beginning with 1907.

We frequently read and hear references to the growth of timber as an offset to the cost of carrying stumpage. In some sections of the country, in certain classes of timber, this annual growth may be reckoned as of value during a period of twenty years, but in the territory which we have under consideration, the experience of the last twenty years indicates that this growth is more than offset by the deterioration of timber which has reached its maturity and has started on the down grade. Certainly the growth of the younger timber would be offset by the deterioration of timber which has reached its maturity. We have solicited the opinions of many lumbermen on this subject in Wisconsin and Northern Michigan and they are unanimous in the opinion that, taken as a whole, the forests of this section are deteriorating at a greater rate than the annual growth of the timber which has not yet reached its maturity. Therefore, as related to this territory, the item of annual growth may be considered as negligible.

An item of cost, which is by no means negligible but which cannot be ascertained definitely, is the damage done to timber lands by fires which occur annually all over the country, burning over cut over areas, eating into the edges of virgin forests and causing in the aggregate a large amount of damage. We are all spending considerable sums of money yearly to protect our forests, but this does not suffice for complete protection and damage continues more or less annually. This loss

by fire, coupled with the damage from wind storms and insects is large in the aggregate, but so indefinite in character that it can only be guessed at.

Interest rates used in computing carrying charges vary from 5% to 6%, but most of the financing done by lumbermen in the form of bond issues consists of issues of 6% bonds, which are sold to bond dealers at from 92 to 95 cents on the dollar, with an additional charge for expenses of examining the property covered by the mortgage, which is about equal to a further discount in the selling price of 2 per cent. A large part of the bond issues which have been floated on timber properties have netted the lumberman only 90 cents on the dollar. Most of them have run for ten years at 6%; making the interest rate paid \$6 a year on the \$90 secured by the lumberman from the sale of his bonds, which is very close to  $6\frac{2}{3}\%$ . At  $6\frac{2}{3}\%$ , with the taxes added, the cost of timberland increases alarmingly fast. For the purpose of our computation 6% is certainly a conservative figure for use in this case.

*Basis for Computation.* In order to arrive at a starting point for a computation, we have endeavored to ascertain the average value of the various kinds of timber growing in Wisconsin and Northern Michigan during the period 1907-8, and we have solicited the experiences of many lumbermen and timber owners in this section of the country and have selected many actual sales and purchases made during that period, which, together with the opinions given, form a basis for an average of price ruling at that time. Some of the figures used were very low, placing Hemlock at \$1.00; others placed it as high as \$3.50. The location of standing timber and the relative cost of getting the logs to the market enter so largely into the value of the standing timber that it is only by securing averages of this kind that dependable figures representing an average of the territory in question can be secured, and in making this computation we have endeavored to secure an average.

As the variety of timber on our lands is large, consisting of about sixteen different kinds of saw logs and a list of other products in addition, the task of distributing the taxes on 40 acres of timberland equitably upon each item presents some difficulties. To simplify the matter some, short cuts were necessary which did not affect to any extent the accuracy of these figures. We received detailed estimates on 37,425 acres of timber land, covering practically all the forest counties in Wisconsin and Northern Michigan, with detail of all taxes on each description from 1907 to 1915.

Eliminating from the calculation such items as Hemlock bark, cordwood, and making an allowance for ties, poles, etc., we computed the value of these lands, using the average stumpage prices ruling in 1907-8 for the different kinds of saw timber, secured as previously described. The taxes on these lands were then subdivided proportionately for each year, giving us the yearly taxes on each kind of wood, and it should be noted that the taxes have increased 118 per cent in the last eight years.

This process enabled us to make the table shown on page —, commencing with an initial cost January 1, 1907, and bringing the cost down to January 1, 1915, of each kind of saw log timber which is of importance.

This table illustrates forcibly how carrying charges on timber lands amount up annually and increase the cost of the raw material used by the lumberman, which it is necessary for him to control to insure the life of his manufacturing plant.

There are three methods of equalizing this constantly increasing cost:

The lumberman should each year receive an advance in the price of lumber at least sufficient to offset this increased cost of raw material.

Or he must make a profit in each year sufficient to equal the cost of carrying the raw material in addition to the profit legitimate to the conduct of his business.

Or he must make a profit in each year equal to the average yearly cost of carrying the timber over the entire period.

One of these three methods is absolutely fundamental to the existence of the average lumber manufacturing concern.

This principle also applies with equal force to timber lands owned by those who do not manufacture lumber. Interest and taxes accumulate on investments of this kind. Some one must carry this raw material and only the Government can avoid the constant accumulation of interest and taxes.

In the case of Government holdings, the Forestry Department with no interest or taxes to pay are now feeling the necessity of selling a large amount of timber to meet the annual expenses of simply caring for the timber.

Referring back to the three methods of providing for "carrying charges," we present a concrete example of how the First Method works out in practice in Wisconsin and Northern Michigan.



### Example

Assuming that a group of men wish to go into the business of manufacturing lumber in Wisconsin and Northern Michigan, it would first be necessary for them to purchase a group of timber sufficiently large to justify the erection of a manufacturing plant, say 200,000 M. feet. Under present depressed conditions a group of this size might be bought for an average price of \$3.00 per M. feet. This purchase would start the concern with an investment of \$600,000. Assuming that they cut 20,000 M. feet per annum, the following calculation shows how the cost of the amount cut each year increases, making it necessary each year to secure progressively higher prices for their lumber to equal the increasing cost of their stumpage.

### Calculation

Timber investment necessary to insure life of plant 10 years, at rate of 20,000 M. feet per year—200,000 M. feet cost, say \$3.00 per M.—Investment .....\$600,000.00

#### *First Year—Annual Carrying Cost—*

6% Interest on \$600,000.00.....	\$36,000.00	
1% Depreciation fund .....	6,000.00	
6½c per M. taxes on 200,000 M. ft.....	13,000.00	55,000.00
		<hr/>
		\$655,000.00
Amount cut first year, 20,000 M. ft. @ \$3.27.....		65,400.00
		<hr/>
		\$589,600.00

#### *Second Year—Annual Carrying Cost—*

6% Interest on \$589,600.00.....	\$35,376.00	
1% Depreciation fund .....	5,896.00	
7c per M. taxes on 180,000 M. ft.....	12,600.00	53,872.00
		<hr/>
		\$643,472.00
Amount cut second year, 20,000 M. ft. @ \$3.57.....		71,400.00
		<hr/>
		\$572,072.00

#### *Third Year—Annual Carrying Cost—*

6% Interest on \$572,072.00.....	\$34,324.32	
1% Depreciation fund .....	5,720.72	
7½c per M. taxes on 160,000 M. ft.....	12,000.00	52,045.04
		<hr/>
		\$624,117.04
Amount cut third year, 20,000 M. ft. @ \$3.90.....		78,000.00
		<hr/>
		\$546,117.04

*Fourth Year—Annual Carrying Cost—*

6% Interest on \$546,117.04.....	\$32,767.02	
1% Depreciation fund .....	5,461.17	
8c per M. taxes on 140,000 M. ft.....	11,200.00	49,428.19
		<hr/>
		\$595,545.23
Amount cut fourth year, 20,000 M. ft. @ \$4.25.....		85,000.00
		<hr/>
		\$510,545.23

*Fifth Year—Annual Carrying Cost—*

6% Interest on \$510,545.23.....	\$30,632.71	
1% Depreciation fund .....	5,105.45	
8½c per M. taxes on 120,000 M. ft.....	10,200.00	45,938.16
		<hr/>
		\$556,483.39
Amount cut fifth year, 20,000 M. ft. @ \$4.64.....		92,800.00
		<hr/>
		\$463,683.39

*Sixth Year—Annual Carrying Cost—*

6% Interest on \$463,683.39.....	\$27,821.00	
1% Depreciation fund .....	4,636.83	
9c per M. taxes on 100,000 M. ft.....	9,000.00	41,457.83
		<hr/>
		\$505,141.22
Amount cut sixth year, 20,000 M. ft. @ \$5.05.....		101,000.00
		<hr/>
		\$404,141.22

*Seventh Year—Annual Carrying Cost—*

6% Interest on \$404,141.22.....	\$24,248.47	
1% Depreciation fund .....	4,041.41	
9½c per M. taxes on 80,000 M. ft.....	7,600.00	35,889.88
		<hr/>
		\$440,031.10
Amount cut 7th year, 20,000 M. ft. @ \$5.50.....		110,000.00
		<hr/>
		\$330,031.10

*Eighth Year—Annual Carrying Cost—*

6% Interest on \$330,031.10.....	\$19,801.86	
1% Depreciation fund .....	3,300.31	
10c per M. taxes on 60,000 M. ft.....	6,000.00	29,102.17
		<hr/>
		\$359,133.27
Amount cut eighth year, 20,000 M. ft. @ \$5.97.....		119,400.00
		<hr/>
		\$239,733.27

*Ninth Year—Annual Carrying Cost—*

6% Interest on \$239,733.27.....	\$14,383.99	
1% Depreciation fund .....	2,397.33	
10½c per M. taxes on 40,000 M. ft.....	4,200.00	20,981.32
		<hr/>
		\$260,714.59
Amount cut ninth year, 20,000 M. ft. @ \$6.51.....		130,200.00
		<hr/>
		\$130,514.59

*Tenth Year—Annual Carrying Cost—*

6% Interest on \$130,514.59.....	\$ 7,830.87	
1% Depreciation fund .....	1,305.14	
11c per M. taxes on 20,000 M. ft.....	2,200.00	11,336.01
		<hr/>
		\$141,850.60
Amount cut tenth year, 20,000 M. ft. @ \$7.09.....		141,800.00
		<hr/>
		\$50.60

*Note.*—Method of calculation as to Interest and Depreciation fund is same as used in previous tables.

Taxes are progressively increased at a less rate than experience of past eight years have shown in table, page —.

Using this method their raw material would cost them the first year \$3.27 and the tenth year \$7.09, and in the end would realize only 6% on their investment. It is perhaps unnecessary to add that a further profit must be made to warrant the investment in plant, stock, accounts, etc.

The Second Method which involves making a profit sufficient in each year to equal the entire cost of carrying the raw material, would start the enterprise off with a high stumpage charge as follows:

20,000 M. @ \$3.00 = .....	\$ 60,000.00
6% Interest .....	36,000.00
1% Depreciation .....	6,000.00
Taxes, 6½c per M.....	13,000.00
	<hr/>
	\$115,000.00 = \$5.75 per M.

If the business was able to get sufficient for their lumber to absorb a charge of \$5.75 for stumpage and earn besides a profit on their investment in plant, stock, accounts, etc., and were able to repeat this process for several years, they would find that their carrying charge would reduce each year and their profits increase. This would be an ideal condition, but it is a condition which very few lumbermen have been able to create during the past eight years. On the contrary, the Number One Method has perforce been used by the large majority of lumbermen and today they find themselves with a large accumulated stumpage account and a market for lumber which barely allows enough to equal the first cost of the stumpage, with nothing at all to represent the accumulated carrying charges.

The Third Method which involves an average uniform charge each year to Lumber Account during the 10 years is preferred by some operators. An example of how it works out follows:



Investment—200,000 M. ft. @ 3.00 per M. = .....	\$600,000.00	
<i>First Year—Annual Carrying Cost—</i>		
6% Interest on \$600,000.00 .....	\$36,000.00	
1% Depreciation fund .....	6,000.00	
6½c per M. taxes on 200,000 M. ft. ....	13,000.00	55,000.00
		<hr/>
		\$655,000.00
Amount cut first year, 20,000 M. ft. @ \$4.75 .....		95,000.00
		<hr/>
		\$560,000.00
<i>Second Year—Annual Carrying Cost—</i>		
6% Interest on \$560,000.00 .....	\$33,600.00	
1% Depreciation fund .....	5,600.00	
7c per M. taxes on 180,000 M. ft. ....	12,600.00	51,800.00
		<hr/>
		\$611,800.00
Amount cut second year, 20,000 M. ft. @ \$4.75 .....		95,000.00
		<hr/>
		\$516,800.00
<i>Third Year—Annual Carrying Cost—</i>		
6% Interest on \$516,800.00 .....	\$31,008.00	
1% Depreciation fund .....	5,168.00	
7½c per M. taxes on 160,000 M. ft. ....	12,000.00	48,176.00
		<hr/>
		\$564,976.00
Amount cut third year, 20,000 M. ft. @ \$4.75 .....		95,000.00
		<hr/>
		\$469,976.00
<i>Fourth Year—Annual Carrying Cost—</i>		
6% Interest on \$469,976.00 .....	\$28,198.56	
1% Depreciation fund .....	4,699.76	
8c per M. taxes on 140,000 M. ft. ....	11,200.00	44,098.32
		<hr/>
		\$514,074.32
Amount cut fourth year, 20,000 M. ft. @ \$4.75 .....		95,000.00
		<hr/>
		\$419,074.32
<i>Fifth Year—Annual Carrying Cost—</i>		
6% Interest on \$419,074.32 .....	\$25,144.46	
1% Depreciation fund .....	4,190.74	
8½c per M. taxes on 120,000 M. ft. ....	10,200.00	39,535.20
		<hr/>
		\$458,609.52
Amount cut fifth year, 20,000 M. ft. @ \$4.75 .....		95,000.00
		<hr/>
		\$363,609.52
<i>Sixth Year—Annual Carrying Cost—</i>		
6% Interest on \$363,609.52 .....	\$21,816.57	
1% Depreciation fund .....	3,636.09	
9c per M. taxes on 100,000 M. ft. ....	9,000.00	34,452.66
		<hr/>
		\$398,062.18
Amount cut sixth year, 20,000 M. ft. @ \$4.75 .....		95,000.00
		<hr/>
		\$303,602.18

*Seventh Year—Annual Carrying Cost—*

6% Interest on \$303,062.18 .....	\$18,183.73	
1% Depreciation fund .....	3,030.62	
9½c per M. taxes on 80,000 M. ft.....	7,600.00	28,814.35
		<hr/>
		\$331,876.53
Amount cut seventh year, 20,000 M. ft. @ \$4.75.....		95,000.00
		<hr/>
		\$236,876.53

*Eighth Year—Annual Carrying Cost—*

6% Interest on \$236,876.53 .....	\$14,212.59	
1% Depreciation fund .....	2,368.76	
10c per M. taxes on 60,000 M. ft.....	6,000.00	22,581.35
		<hr/>
		259,457.88
Amount cut eighth year, 20,000 M. ft. @ \$4.75.....		95,000.00
		<hr/>
		\$164,457.88

*Ninth Year—Annual Carrying Cost—*

6% Interest on \$164,457.88 .....	\$ 9,867.47	
1% Depreciation fund .....	1,644.58	
10½c per M. taxes on 40,000 M. ft.....	4,200.00	15,712.05
		<hr/>
		\$180,169.93
Amount cut ninth year, 20,000 ft. @ \$4.75.....		95,000.00
		<hr/>
		\$ 85,169.93

*Tenth Year—Annual Carrying Cost—*

6% Interest on \$85,169.93 .....	\$ 5,110.19	
1% Depreciation fund .....	851.69	
11c per M. taxes on 20,000 M. ft.....	2,200.00	8,161.88
		<hr/>
		\$ 93,331.81
Amount cut tenth year, 20,000 M. ft @ \$4.75.....		95,000.00
		<hr/>
		\$ 1,668.19

This method works out principal and carrying charges very closely, but in the end it returns to the investor only his principal and 6% interest.

The tax cost used in foregoing computations may seem high, but our figures show that the cost in 1907 averaged 2-6/10c per M. and in 1914 was 6-6/10c per M. In this computation a less rate of increase has been used, starting with 6½ per M. and ending with 11c per M.

Examination of these stumpage figures shows what a serious addition to stumpage charges accumulates in any year when the cutting of timber is curtailed, creating a load which succeeding years must absorb. A curtailment of 10% per year would not be serious and most operators would agree to this if it were arranged so that operators were assured the rest would do the same.

## APPENDIX II

## Saw Mill Wage Statistics

Collected from members of the Association and averaged. Men pay their own board.

	July, 1912.	July, 1913.	July, 1914.	July, 1915.
Sawyer, band .....	\$ 5.35	\$ 5.30	\$ 5.30	\$ 5.05
Sawyer, rotary .....	5.00	4.67	4.83	4.67
Sawyer, gang .....	2.69	2.69	2.88	2.69
Setter, band, steam set.....	2.54	2.58	2.59	2.37
Setter, rotary, steam set.....	2.50	2.50	2.50	2.25
Setter, band, hand set.....	2.60	2.63	2.66	2.58
Setter, rotary, hand set.....	2.63	2.63	2.75	2.61
Edgerman .....	2.64	2.69	2.70	2.55
Resaw runner, saw mill.....	2.30	2.46	2.48	2.32
Resaw runner, planing mill.....	1.93	1.96	1.96	1.87
Trimmerman, levers .....	2.06	2.11	2.16	2.06
Trimmerman, handler .....	2.02	2.05	2.11	1.94
Trimmerman, helper .....	1.80	1.84	1.85	1.72
Tail sawyer, band .....	1.97	2.03	2.02	1.91
Tail sawyer, rotary .....	2.12	2.12	2.12	1.98
Tail sawyer, gang .....	1.79	1.81	1.84	1.71
Edging pickers .....	1.68	1.75	1.75	1.64
Counter or scaler .....	2.14	2.16	2.17	2.03
Grader on green lumber chain.....	2.33	2.40	2.43	2.32
Lumber handlers on chain.....	1.79	1.83	1.82	1.72
Teamster, hauling from mill.....	1.78	1.83	1.83	1.73
Teamsters, wood and rubbish.....	1.76	1.81	1.82	1.73
Lumber pilers .....	2.05	2.15	2.14	2.03
Watchmen .....	1.94	2.00	1.98	1.87
Oilers .....	2.01	2.11	2.08	1.96
Engineer .....	3.09	3.13	3.12	2.95
Millwrights .....	3.16	3.26	3.24	3.10
Firemen, mill .....	2.16	2.22	2.26	2.12
Log jacker .....	1.78	1.81	1.83	1.71
Pondsman .....	1.99	2.02	2.02	1.91
Pond helpers .....	1.85	1.87	1.87	1.75
Car unloaders .....	1.86	1.88	1.87	1.80
Filer, band .....	6.50	6.50	6.79	6.23
Filer, rotary .....	3.56	3.56	3.56	3.58
Filer, on contract for mill.....	11.63	11.63	11.55	11.31
Slasherman .....	1.88	1.93	1.94	1.84
Lath and wood pickers.....	1.75	1.78	1.78	1.66
Lath bolter .....	1.96	2.02	2.04	1.88
Bolt puller .....	1.97	1.98	2.00	1.85
Lath shover .....	1.83	1.88	1.91	1.76
Lath puller .....	2.17	2.22	2.33	2.13
Lath tyer .....	1.73	1.78	1.81	1.63
Dry yard lumber handler .....	1.74	1.78	1.77	1.68
Dry yard graders, hemlock.....	2.20	2.23	2.19	2.12
Dry yard graders, hardwoods .....	2.80	2.86	2.90	2.81
Machine runner, planing mill.....	1.93	2.01	2.03	1.89
Lumber loaders behind machines.....	1.77	1.79	1.80	1.71
Planing mill foreman.....	3.29	3.31	3.35	3.24
Common labor around plant.....	1.70	1.74	1.72	1.63
Carriage man .....	2.07	2.14	2.15	2.04



## APPENDIX III

## U. S. Census Reports

on

Average mill values per M. feet applied to the percentages of Hemlock and Mixed Hardwood manufactured by the Association members.

## AVERAGE PRICES

	P. Ct.	1906.	1907.	1908.	1909.	1910.	1911.	1912.*	1913.*	1914.*	1915.*	Avg.
Hemlock ..	60%	15.31	15.53	13.65	13.95	13.85	13.59	13.68	16.54	14.97	13.17	14.42
Birch .....	14%	17.24	17.37	16.42	16.95	17.37	16.61	17.43	19.20	20.56	19.15	17.83
Basswood ..	6%	18.66	20.03	20.50	19.50	20.94	19.20	19.26	24.14	25.48	21.30	20.91
Maple ....	14%	15.53	16.84	16.30	15.77	16.16	15.49	15.56	18.00	17.24	15.55	16.24
Elm .....	4%	18.08	18.45	18.40	17.52	18.67	17.13	16.87	24.64	22.42	20.13	19.23
Ash .....	1%	24.35	25.01	25.51	24.44	22.47	21.21	20.27	24.19	15.28	22.53	22.53
Oak .....	1%	21.74	21.23	21.23	20.50	18.76	19.14	19.63	....	....	25.43	20.96
Average ...	100%	16.07	16.50	15.21	15.26	15.42	14.88	15.05	17.86	16.85	15.32	15.84

\*Private reports.

No U. S. Census reports for 1913, 1914 and 1915.

## STATEMENT BY R. B. GOODMAN, GOODMAN, WIS.

(Filed with the Commission in connection with brief of the Northern Hemlock and Hardwood Manufacturers' Association.)

Gentlemen of the Federal Trade Commission:

In studying the interesting subject of lumber cost accounting I have had occasion to meet many other manufacturers and examine their costs of manufacture, and the realizations obtained for their product, and I can confidently assert that the conditions of at least ten of the largest and presumably the most efficiently managed operations in Wisconsin and Upper Michigan are making no better showing than those disclosed by the statements of the Goodman Lumber Company. I am also in a position to state that numerous smaller companies are operating on a margin of loss at least double the amount per M. feet indicated by these statements.

Some of these companies are continuing to operate beyond that point that determines operation to be financially a less evil than ceasing to operate—i. e., the point where the loss from operation consumes all of the carrying charges and fixed overhead charges. But these mills are forced to continue producing lumber because they are not financially ingenious enough to command the necessary credit for carry-

ing them over a period of idleness, and because they are living in such close familiarity with their employees that the dictates of their heart compel them to maintain their payroll to the extent of a complete sacrifice of all stumpage values.

It is not that lumbermen are better than other men in other lines of work. Some of Miss Ida Tarbell's articles would indicate that where employers in any line of industry are brought in contact with their employees there develops immediately a genuine concern for their welfare, and we lumbermen are, for the most part, so situated in our little towns—away by ourselves—that employer and employee are thrown together as they are not thrown together in the larger centers.

I will give you one little example. I am returning to the Village of Goodman tonight for Mrs. Goodman has a children's party tomorrow. Last year Mrs. Goodman and two of her village friends called on every family and invited the children between the ages of five and ten. The entertainment was simple—they played "Drop the Handkerchief," "Ring-around-a-rosy" and "London Bridge is Falling Down"; the refreshments were ice cream cones and cookies. There were one hundred and sixteen children—all well dressed, rosy-cheeked, happy children. I slipped around and took these photographs. You will enjoy looking at them. I am no philanthropist and do not pose as one but I love these children, and I am proud of the village they live in and the industry that dresses, feeds and educates them. The fathers of these children, who work in our mills and yards are trained for that work and if set adrift—what can they do? Many of these people who have pretty homes and happy children were destitute when they came to us. I do not want to turn them out because they are all my friends and Mrs. Goodman's friends.

Our company is one of a thousand—there are thousands of towns like Goodman, in Michigan, Wisconsin, Louisiana, Texas, Idaho, Washington—all over the great producing regions represented at this hearing.

We feel keenly the waste of our forests in un-regulated and wasteful over-production. We feel more keenly still the danger of forced suspension on account of lack of reasonable regulation and what this forced suspension means to the three millions of men, women and children in these little pioneer mill towns.

There is in much of the matter presented here, such a variance from what is in the public mind concerning our industry that you are, no doubt, surprised. The difference between the state of the industry here presented and the condition set forth in the report of the Bureau

of Corporations on the Lumber Industry is extreme. Yet it can be explained.

There are two periods in the history of the industry of the past thirty years.

First.—The period of increasing values and gradually advancing price level, which terminated about 1907, which was rife in timber speculation; replete with big enterprises which developed a few big men and few large fortunes. A period of wonderful development in which all the other great industries equally shared.

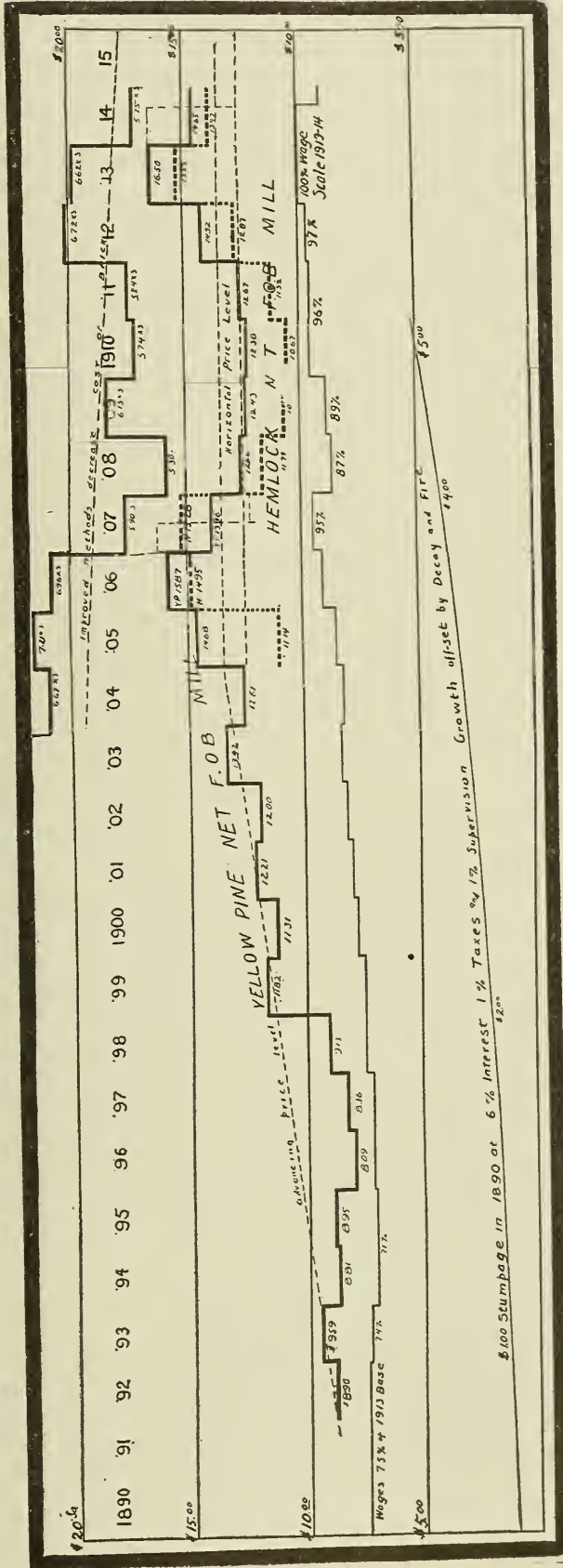
Second.—The period of fluctuations from a stationary or horizontal price level that has existed from 1907 to the present day, which means, with some exceptions, a stationary stumpage value and the necessity of the mill operator earning each year the taxes and carrying charges on his entire stock of standing timber. A period in which all of the tendencies lead to wasteful and ruinous over-production.

These periods are illustrated graphically in the accompanying chart.

The investigations of the Bureau of Corporations were made in good faith and disclosed the conditions of the industry prior to 1907, and if these conditions had continued in our industry since that date they would be deserving of drastic treatment, but although this Bureau could investigate the past it could not investigate the future or be condemned for not doing so. We ourselves have only now awakened to the fact that there has been a radical change in the conditions affecting the industry, and to us a most startling warning of danger—a most serious alarm lies in the fact that with the changed conditions so ably portrayed to you at this hearing of lumbermen, under the auspices of the National Lumber Manufacturers' Association, with such urgent need of legislative help, we lumbermen must still keep fighting the opprobrium of past decades; still pay the penalty for the old days of prosperity and expansion that our industry has by some fortuitous chance been singled out to be crucified for.

To you gentlemen I appeal—to you when you have well considered all that has been presented to you here, and all that you find as you continue your tour. When you are yourselves convinced, as we ourselves are now convinced of the iniquities we seem to be forced to perpetrate against ourselves; against our fellow lumbermen; against public interests and against the national welfare of the future. That you will do all that in your wisdom you feel empowered to do on behalf of our industry; that you will recommend to Congress and to the





[STUMPAGE LINE]—\$1 compounded annually—6 percent interest; 1 percent taxes; 1 percent supervision.  
 [YELLOW PINE]—Net average annual realization at a large Yellow Pine mill in Missouri.

[WAGES]—In lumber industry computed as percentage, using the average wages of 1913 as base from the United States Department of Labor.

[BRICK]—Prices of Brick at large brick yard on Hudson River—figuring 3 M Brick to compare with 1 M feet of lumber.  
 [HEMLOCK]—Net average annual realization of large Hemlock mill in the Wisconsin Valley.

President the doing of those things you feel are reasonable and fair, and for the benefit of the public interest in relation to the lumber industry.

**Mr. Downman:** It is the desire, gentlemen, of the lumbermen, that Judge L. C. Boyle make a few remarks on the application of the Anti-Trust law to the conditions in the yellow pine industry.

### STATEMENT OF L. C. BOYLE

**Mr. Boyle:** Mr. Chairman and Gentlemen of this Commission: I do not propose at this time to undertake a discussion of the legal matters that would naturally pertain to your powers. This I refrain from doing for two reasons: first, I think it would be better for this Commission to assemble all this data and be thoroughly conversant with the economic and industrial problems involved, working out in its own mind as it goes forward, such thought as would be suggested, touching the application of this statute to the situation as you find it. I hope at the conclusion of your hearings on this subject to have the privilege and opportunity of discussing the whole subject in an assembled form with you, not only from the standpoint of a lawyer summing up the evidence, but from the standpoint of a lawyer seeking to apply legal principles as involved in this statute, to them.

Therefore, I will not undertake at this time to make any extended remarks about this phase of the matter. I think also that there are two or three gentlemen to follow me with brief suggestions, and I feel that it would be proper for me to hasten my remarks to a conclusion.

There are one or two matters, however, that I do want you gentlemen to carry with you as you go ahead with this investigation. We are all the time thinking, of course, and naturally and properly thinking, of the great public, the consuming public, and by law and in every way we are seeking by legislative enactments to protect that public from selfishness, and from greed, and from overreaching tendencies on the part of men who sell things to the public, and that is right. That is proper.

However, in considering that phase of this whole industrial problem, I beg of you gentlemen to carry this thought in your minds, that in this great industry that is one of prime importance to the nation, there are practically seven hundred thousand wage earners, which at an average of five to a family comprehends in the neighborhood of 3,500,000 people. They are of this great body of consumers that we

are thinking about all the time, and a condition in the industry of that great multitude which tends to crimp it, and pinch it, and hurt it, labor having to carry its proportionate burden, reacts upon all other branches of industry, and as a sequence, that great consuming public is injured as a result thereof.

Now, that may be academic in a sense, but it is a matter that we must bear in mind as we go forward in this general thought. You must remember that there are 38,000,000 wage earners in the nation, and that this great industry comprehends a considerable factor in that branch of our life.

Now, just one other thing. The recurrent suggestion comes from the Commission as to this problem of substitutes. Just what is in the mind of the Commission in reference to that matter I know not, but I beg of you to think of this in that connection also, and these are but a few suggestions that are thrown out as I hope to elaborate more extensively later. Suppose that as a result of the inventive genius of mankind these substitutes should take the place of lumber here and there, and that as a result thereof lumber will be supplanted in this field and in that field? That phase of the matter does not cure, but on the contrary aggravates the already aggravated situation, for this reason: here we have an industry of 48,000 plants, and 17,000 in the yellow pine industry alone. Great concerns that are now going concerns; they cannot shut down; it is impossible to shut down those plants and thereby conserve the industry. You can conserve the forests by shutting them down, but the men who have their money invested would be ruined thereby. They cannot do it. The overhead charges of the upkeep of the closed plant makes it impossible to do that; so you have a condition, not a theory, confronting you in this industry.

Now, here are these great wide outspread plants eating up a one-crop product. As yellow pine produces forty-odd per cent of the entire output, due to its peculiar condition it has got to market its product when it is cut, and they are cutting in a limited competitive condition. There is no chance for this man to shut down and have this other man go forward and take his trade away from him, so, therefore, they must cut, and they cut the choice sirloin steak of the tree and leave the other part of it to rot and to be waste to civilization.

That is lost, gentlemen, forever; and so when I heard one of these gentlemen say that we have our troubles, I thought that I saw a smile on the face of the Commission in this thought, that all of these



men coming before you have their troubles, and that these men's troubles are no greater or different from anybody else's troubles. But they are, gentlemen.

The shoe manufacturer, the packer, any other source of industrial activity that comes before you does not present the same thought or situation that these gentlemen do. Why? Because this line of industry or that way be temporarily affected by war and by financial stress and afterwards recover its healthy condition; but this industry, afflicted and its resources wasted, never can have replacement. Therefore, you have a matter that not only touches these men but indeed touches the public at large in a very intimate way, and one of the thoughts I had in my mind in reference to this matter is this: that if in the final analysis you business men, seeking to aid the constructive life of this nation and help further the plain, great body of the people, if you should find, as we feel you must find, that there is grave need of help here, Government help, guidance and protection, if you feel that way when you come to the conclusion of your investigation and you should find no paragraph in this law of yours to relieve the situation, I think, gentlemen, that you ought to be at least in a position where you could go to the Congress of our country and say to it that here is a great natural resource that is being shamelessly wasted, due, not to the fault or policy of the men engaged in it, but due to competitive conditions over which they have no control.

Now, that is a thing of service, and of great service, that you can do, if you cannot help these men now.

There is a deep thing here, a big thing, and it is one, gentlemen, that you are to feel the responsibility of when you come to the final end of the route of the investigation, because generations yet to come are going to either be benefited or unrelieved by your acts. So that if you find these things to exist as these men tell you, there ought to be help. Their position and condition is distinct and challenges aid. In no other nation in the world would this thing be permitted, much less be unavoidable.

Now, the thought may come and your investigation may show, for instance, that these men are suffering from overproduction due to the exploitation of the forests unduly. That they have no business and no right to go and bond great properties in view of the very thing that now confronts them, and you may find that much of their difficulty is due to a lack of vision on their own part. Somebody might say, "If they made that bed, let them lie in it."

That would be all right, gentlemen, if you were dealing with a resource that did not belong to humanity, but this thing is not in that category. If error has been made, if mistakes have been made in the building of plants that should not have been built, that does not alter the thing; I now repeat, and use the language of a great man who has gone before, and that is, that we are confronted not by a theory, but by an actual condition.

Just one word about a thought suggested by Mr. Worcester, and I make it simply that you may be carrying it in your mind. In the little brief that I filed and which I shall elaborate later, I sought to analyze Section 6 on the theory that by the process of interpretation we might arrive at some power in the hands of this Commission whereby these men could come to you, telling you their troubles, and you could authorize them to do something that would bring about relief. There is going to be and doubtless will be grave doubt as to the correctness of my conclusions. Of that later on, however; not now, but later.

However, this business man, this man Worcester, who comes here telling his story as a plain business man, visioned a thought that I think goes deeply into the heart of this whole controversy, a suggestion that did not appeal to me at first, but as I thought about it and still think about it, it appeals to me more and more, and that is this; that under this new, untried problem of unfair competitive conditions, you have the right to control and regulate, to abate, wherein you exercise quasi-judicial power. In that Section 5 there is the significant thing, that when you find unfair competitive conditions affect public welfare, then you of your own initiative go into and seek to correct that situation.

Now it is the public that that section had in mind, that the legislators had in mind; not the motives back of the competitive unfair situation. As a lawyer on the bench, you business men know that the books that deal with unfair competition deal with an entirely different thought than I have here in my mind; but the unfair competitive situation in this lumber trade, due to conditions that are unavoidable, may be the solution of your power in this matter.

Now you say, "What could you do?" I do not know that answer, gentlemen, but I know this, that your Commission was designed to help; not simply to investigate and to find out, but to actually help. All right. Now we will say that hemlock had come here in the first instance and told its story and said that these people were ruining

them, and you would call yellow pine before you and say, "What about this, gentlemen?" and they would say, "Yes, it is true, but our hands are tied. We cannot help ourselves." You then have an unfair competition affecting the public, and both parties to the trade condition wanting to be relieved. Yellow pine cannot help themselves, because I think the lawyer might say it is all right, but you could say to them as a lawyer in the presence of a distinguished lawyer on this bench here, "There is nothing in this law prohibiting these men from getting together and combining, if you please, and limiting their production to the needs and the necessities of their industry as long as that does not impinge upon the welfare of the trade and the public."

There is no doubt about that, but they do not dare to take my advice, because another lawyer that is on the bench may not agree with me or with my theory, and therefore they are pinched between the upper and the nether millstones. They say they do not dare to relieve the situation by helping the hemlock people by limiting their production to the needs of the trade.

Now I make this suggestion, and I do not make it with any vanity of thought about it at all, and I want you gentlemen to understand that I come here very humbly about this matter, but suppose you say to these gentlemen: "Here is an unfair competitive condition. We feel we have the power to regulate a condition of that kind," and you make the suggestion to yellow pine as to how the matter could be relieved. Now, that is just a thought thrown out for us to think about later.

To conclude now what I have to say here. These gentlemen have asked me to go forward with this investigation to the end. I want to be of real help to this Commission. This is not like a lawyer serving men to get an advantage. I want to help this court, because in helping it I help my clients. I am going to take this record as it develops from time to time after we get through with this Chicago hearing, and before you assemble at some other point, digest and abstract the record you have made here, putting under appropriate headings, conservation, cost of production, distribution and so on, and so forth, assembling the data that has been made up by this record, and then I will print it and put it in your hands, thus enabling you to more readily get on top of this mass of detail.

In addition I will do that for the additional purpose that I want you gentlemen to ask us to bring you things. We want to give you information. This is the beginning of this inquiry. Later on things



will occur to you. You will want to know things and we want you to ask us, and we will bring the best we have.

In addition to that I propose making as careful an examination as I can of this Canadian situation. Not loose talk, not hearsay statements, but actual copies of their statutes and their practice, so that you may know that when you talk to Congress if that is the route that you will have to go, that you can say, "Thus they do in Canada, thus they do in Australia, thus they do in Germany," and so on. In other words, I want to be of real service. I feel in this case, gentlemen, in a parting word now, as I said to Mr. Keith some weeks ago, that I wanted at this age in my life,—and I have been in the general practice many years—I wanted to get into some branch of activity where I could not only serve myself as a lawyer in a professional way of gaining a livelihood, but I wanted to serve the public in some way that would be helpful. And, gentlemen, here is the way that I am going to try to serve them, and that is to help you arrive at a just and a fair conclusion.

Honesty and frankness you will meet with, gentlemen, in this whole proposition. The day has passed for men to put their sails to the wind to find out which way it is blowing. They are going to put all the cards on the table.

I want to say as a suggestion, that you must not think that this number of men here is the total who are interested. These men represent approximately two thousand plants. They represent in the neighborhood of from 1,400 to 1,600 operators. They represent one-third of the cut of the forests of the nation, so you have before you in this meeting here a very representative body of men, and I can say something for them that they cannot say for themselves; I have been in their conferences, I know their heart purposes, I know they are honest. I know they want to give you the best information they have, and I want to say something further for your gratification if I may, and that is that they are pleased and gratified at the spirit in which they have been met by this Commission.

Now, gentlemen, as the matter will go forward, I am going to develop my part in this work as best I can, in reference to the decisions of courts and things of that kind, and I would be glad to hunt them out for you, if any thought of that kind should come up. I am not your attorney; I am these gentlemen's attorney, and I am going to serve them the best I can, but I think I can serve them best by being of as much aid to you as possible.

**The Chairman:** Mr. Boyle referring to the investigation in Canada, we have the laws pretty well digested.

**Mr. Boyle:** Yes.

**The Chairman:** But any trade agreements or contracts or facts with reference to the methods of fixing prices, or production, which as you say are not hearsay—

**Mr. Boyle:** Yes.

**The Chairman:** Anything of that kind that you can gather would be very welcome.

**Mr. Boyle:** Yes. I am going to get that and I am going to get you also an extended illumination of the thought Mr. Nelson gave us here, because I fear that we may come at the end of this investigation to a conclusion of this kind: We will help our manufacturers in this country to develop their foreign trade and let the domestic situation take care of itself. How much better would it be for the foreign situation to be abandoned altogether, rather than to leave the domestic matter to its own mercies.

**Mr. Downman:** Mr. Chairman, it was suggested this morning in the questions asked relative to what you desire to develop, as to this substitute proposition and its effect on the lumber industry. You have had various statements made to you in that connection. We have also requested Mr. J. J. Rockwell, of Chicago, to appear here and make a short statement to you in regard to his investigation. He has investigated the question quite thoroughly in the last few years and has accumulated a vast amount of data which he has in his office, and I believe that he can enlighten you a good deal on that situation in a very few minutes.

### STATEMENT OF J. J. ROCKWELL

**Mr. Rockwell:** Mr. Chairman and Gentlemen: There is a very considerable fund of data—

**The Chairman:** Mr. Rockwell, will you just give me your name and initials?

**Mr. Rockwell:** J. J. Rockwell.

**The Chairman:** Address?

**Mr. Rockwell:** Pullman Building, Chicago.

**The Chairman:** And your business?

**Mr. Rockwell:** Advertising business.

There is a considerable fund of data on this subject, but it is data of a kind which you cannot codify. You cannot analyze and reduce to a column of figures the currents and channels of demands in an industry as big as the lumber industry, so that about all we can get are the statements of authorities and men who have studied the subject in its various lights with relation to the figures we have produced to back up certain conclusions, and to show the situation a good deal as a sales manager might show it.

You see, it is quite impossible to speak of the encroachment of the substitutes. Cement has been spoken of. We all know, according to the best figures we have available, that the general production of lumber in the past five years has decreased, and the production of cement has increased. On the other hand, a great many of the uses of cement have been for things which lumber never would have been used for anyhow. They would have used brick or natural stone, and they have simply used cement to product the artificial stone.

Then again, taking another view of it, it would be quite impossible to tell whether a man who built a building of cement and steel reinforced concrete was allowing his purchases of cement and steel to encroach upon a possible purchase and use of lumber unless you get back to the start of the thought about building in that man's mind. It is a mental condition. It is a condition of public opinion. It is a thing that you cannot analyze and get down to figures, so as I say, all we can do it to give you the benefit of such high lights as we have had on it, with some specific data and instances on certain questions that I have heard come up here in this meeting.

I would like to say further that I have had to get this up very hurriedly. I did not know until Mr. Downman asked me this morning, that I was to appear, and I have had very little opportunity to put this in shape or even to collect a great deal of the data that we have.

I tried very hard to find a document from the Forest Service, which I have been unable to find as yet, but which begins with the statement that the lumber mills of this country will never again operate to their full capacity owing to the competition of so-called substitute materials such as cement, brick, stone, hollow tile, metal fabrics and so on. That document is in existence and is an official document of the Forest Service.

**Mr. Downman:** Mr. Rockwell, will you get that document?

**Mr. Rockwell:** Yes, sir; I can find it.

**Mr. Downman:** And put it in the files?



**Mr. Rockwell:** Yes, sir; I can find it.

Department of Commerce, Bureau of the Census Bulletin, issued May 12th, 1913, on the production of lumber lath and shingles, on page 3, I read this:

“Marked increase in demand for lumber followed by a rapid rise in values is problematical, since wood is now being forced to compete with substitutes in many of its present uses. Over half of the lumber cut goes into buildings and rough construction, about one-tenth into boxes, a twentieth into car construction, and a fourth into other uses. Concrete, steel, fiber, and other materials are competing in all of these principal avenues of consumption and in many minor ones. Thus, in a general way, increase in the value of lumber is limited in its leading channels of use.”

In another document of the same type, issued December 30, 1913, covering the production of lumber, lath and shingles for 1912, the statement is again made, and I read:

“The greater part of the lumber produced goes into buildings and rough construction, about one-tenth into packing boxes, crates and so forth, and much smaller proportions into car construction, furniture, vehicles, and a great variety of other uses.”

The previous extract said that over 50 per cent of the lumber produced went into buildings.

“There is a strong tendency toward more permanent construction in building and toward the use of materials other than wood in many other industries, and the increasing competition of other materials has doubtless operated to restrict the demand for lumber and to retard the general rise in its price which might be expected to accompany the gradual exhaustion of the available timber supply.”

I am simply reading these citations as a means of laying the ground for the data which follows.

I read from a bulletin of the Hardwood Manufacturers' Association of the United States, dated at Cincinnati, Ohio, May 24, 1912, Bulletin No. 146, an article entitled “Substitutes for Wood.”

“A recent issue of the Saturday Evening Post contains the following interview with the chief of the Office of Wood Utilization of the United States Forest Service at Chicago. The reference to advertising in the last paragraph is especially significant:

“‘One of the standing problems in the Office of Wood Utilization is that of substitution. It is the hidden rock that has crippled more than one lumbering enterprise and has at times threatened the safety of almost

the entire trade. And the principal peril of this rock of disaster is that it is always shifting its position. Consequently the Office of Wood Utilization is kept constantly busy recharting the trade situation so that lumbermen and manufacturers in wood may steer clear of Substitute Rock.

“ ‘Substitution of other materials for wood,’ says Mr. Sackett, ‘has made startling and sensational advances, especially in the last five years. You can hardly turn to a large industry that does not show the inroads of a substitute for wood. Very likely the cry that our forests are going fast is in a measure responsible for this wholesale substitution. Looking at this matter from an entirely economic and practical viewpoint, without any special prejudice in favor of wood, I am as yet unable to decide whether the benefits of this wholesale substitution outweigh its bad features or not; but this I do know: substitution is the skeleton in the closet of practically every lumberman and wood manufacturer in the country. It is the secret peril of the entire wood-using trade.

“ ‘Only a few years ago, during the late panic, the whole talk of the lumber trade was pitched to this key: “Just wait until the railroads begin to hand out orders again and then we’ll come back into our own all right and make up for lost time.” The railroads, however, did not come back into the market again for lumber—at least, not in the old sense of the term. The car shop that formerly used eighty million feet of wood came for only ten million at most.’ ”

Of course I do not know where this data comes from, but it is apparently from an official source.

“ ‘The substitute had entered its appearance. The old-style Pullman car contained twenty thousand feet of wood; the present type contains only four hundred feet.

“ ‘Previous to the panic, it had been the policy of the railroads running west of Chicago to use timber in their bridges, as well as in their depots, station platforms and wherever it could be used. They were expected to come back into the market for these, but they did not. Instead, they built concrete bridges, stations and culverts. In their platforms they used brick and cinders. The same change has been going on in the country districts. An old retail lumberman told me that he used always to sell the highway commissioners of his section timbers and lumber for the bridges and culverts of their territory; but suddenly they changed the policy of construction to concrete, and in self-defense he was forced to buy two brickyards.

“ ‘Small boats were formerly built entirely of wood; now they are very largely made of galvanized iron and steel. The same substitution is going on in agricultural implement manufacture. The makers are using metal in the place of wood wherever they can. The reason they give for this is that the kinds of wood they need are becoming very scarce and dear. Wagon manufacturers are also making iron wheels and gearing to an increasing extent.

“ ‘Oddly enough, this problem of substitution is, to a very large extent, a question of advertising. How many wholesale lumbermen advertise in the popular magazines and periodicals? Not a single lumbering firm! One lumber association in the South, however, was shrewd enough to attempt to increase the use of its products by means of advertising directly to the consumer. What was the result? Why, the experiment was an immediate success; and it is hardly an exaggeration to say that the use of this particular wood was multiplied by the publicity it received. On the other hand, all the building substitutes are floated by liberal advertising campaigns. There is not a patent roofing, building paper, stucco or plaster that is not sold almost exclusively on an advertising basis. Undoubtedly the lumbering interests must go into the advertising field if they are to maintain a successful war against the encroachments of the building substitutes. Another way of meeting the assaults of the substitute is to find increased uses for each particular wood. Here is where the Office of Wood Utilization can be of greatest service and it is pushing its work as rapidly as possible.’ ”

Bearing in mind the statements made in these official documents of the Forest Service that fifty per cent of the production of lumber has been used in building purposes, it is interesting to observe certain data with relation to what has been done in eliminating the use of wood in building.

Within the past year there has been an ordinance proposed in the city of Chicago to bring within the so-called fire limits all of the area of the city which was outside of the then fire limits, totaling about forty square miles; and that ordinance finally passed, bringing in additional fire limits of about twenty square miles, under a compromise, in which district the building of frame buildings of any kind is prohibited.

Now, it is manifest at once that you cannot take great areas of cities and shut out wood as a building material and not have the market for lumber injured. They are not going to stop building in those districts. They are going to use something, and as they are barred from the use of wood, they must use a substitute, it may be any substitute, but they will naturally use it.

Now, in that idea that is back of the fire limits ordinance we find a great mass of data on this whole subject, on the ground that wood used in the construction of buildings is responsible for the so-called terrific fire hazard in buildings in this country. In that connection a great deal of stress has been laid by very eminent authorities on the presumed difference between what was called the per capita loss by fire in this country and in European cities.



I will file a booklet which covers that subject. I will not attempt to go into that except to present just one or two thoughts on it. The data is all taken from the reports of the National Fire Underwriters direct. It gives a comparison between twenty-five European cities and eighty-one cities in the United States, and it shows that whatever else may be the cause, the cause of our so-called excessive fire loss is not in the use of wood used in the construction of buildings.

I have here a letter addressed to me on November 18, 1913, by L. H. Kunhardt, vice president and engineer of the Boston Manufacturers' Mutual Fire Insurance Company of Boston, from which I quote :

“It is a fact that a well built, mill constructed building of the type known as ‘slow-burning construction,’ when provided with sprinklers and proper auxiliary devices, is a much better fire risk than any fire-proof, so called, construction in existence when there is anything combustible in connection with the contents.”

I just speak of these things because on that peg as an argument is laid the basis by which public opinion has been stayed throughout the country to eliminate the use of wood in building construction, and then it becomes perfectly manifest, and that is a matter of common knowledge to all of us, that that campaign has been in existence, that the manufacturer of the so-called substitute has argued on that basis, that he has cited those facts and has put the public mind in a condition where it will tend to eliminate the use of wood.

Now, if the public mind is put in the condition of demanding some other material because of the fire risk, that is the best evidence in the world, without any codified figures or statements in detail as to the encroachment on wood. If the demand is made for some other material, some other material is going to be sold.

On that point—I will not go through this, but I will simply touch on it—here is a document gotten out by Mr. F. J. Martin, Manager, Northwestern Mutual Fire Association and Associated Mutuals, Seattle, Washington, entitled “Wood Construction vs. Substitutes.” Under the heading of “Wood in Its Proper Place,” he says :

“If wood occupied the place it is entitled to, both in the interests of economy and safety, our lumber mills would be running day and night to supply the demand, and our fire waste would be reduced. Wood is one of the oldest of building materials, yet it is a surprising fact that very few of our best architects know how to build a good wooden building from the standpoint of safety from fire.”

On that point I will just present and mention briefly an article by Mr. Frank D. Chase President of the Chicago Chapter of the National Fire Protection Association, from which I will read two paragraphs:

“Wood as a building material has been in a measure discredited, because of the increasing use of concrete, or other forms of fire resistive construction.

“Proper wood construction is suitable, however, in many instances, and its use is further justified by reason of lower cost and adaptability.”

There is only one other point I am going to bring up in this, because I think I have given enough to show the extent to which this thing has gone and the extent to which there are data upon which to form conclusions regarding it. The point was brought out this morning and again this afternoon that there was no trouble in regard to the encroachment of cement used in building because the forms used in the building of a concrete building were of wood and that the amount of wood, as stated by one speaker this morning, according to estimates given to him by engineers, was that there was substantially as much lumber used in the construction of a cement building in the shape of forms as there would be if the building were an ordinary mill construction building. I agree with that as to some buildings, but there are a number of buildings which are built without the use of wooden forms for concrete at all. I present from one issue of the Engineering Record certain advertisements advertising a steel reinforcing fabric which is used without centering; it does the centering itself. This is a very large and successful firm and it says that this builds floors, arches, silos, tanks, and so forth.

Another advertisement of the Blaw Steel Construction Company, which is a collapsible steel centering for use in building manholes, tanks or grain bins, subways, tunnels and shafts, sidewalks, houses, warehouses, factories, sewers, aqueducts, columns, beams, girders, and so forth.

Still another development, an advertisement headed “Factory,” for July, the year is not given, but I think it was 1913, of the Unit Construction Company of St. Louis, Mo., and other places, advertising a method of building reinforced concrete buildings in units on the ground and the method of construction as shown by their book, of which I have not a copy, so that they simply design their members so that they could cast them a lot at a time and use a few forms on the

ground and pull them out, and there was very little lumber used in that kind of construction.

I have some other things here, but I think I have covered the subject sufficiently, and if there are any questions, I would be glad to answer them.

**Mr. Downman:** Mr. Davies seemed to be particularly interested in getting further information. Do you think it would be of any value to the Commission for Mr. Rockwell to file in due form a short synopsis of what his ideas are about the encroachment of these substitutes?

**Mr. Rockwell:** With such new data as I may be able to collect in the meantime?

**Commissioner Hurley:** We would be glad to have him do so.

**Mr. Downman:** Mr. Chairman, the next gentleman on our program is Captain J. B. White of Kansas City, Missouri, who would like to give a brief statement of the interest of the public in the Forest Conservation. Captain White has been very prominent in the conservation question, and I believe he can make a statement which would be of value to the Commission.

### STATEMENT OF CAPTAIN J. B. WHITE

**Captain White:** Mr. Chairman and Gentlemen of the Commission: I feel that at this late hour that you are tired, and I feel that the ground has been pretty well covered by Mr. Keith, whose statement is very practical, and I believe it is correct statistical information; and the ground has been also well covered by Mr. Worcester, who gave a very logical statement, and I believe a true one in every way. Of course, I stand in a peculiar position as a yellow pine lumberman with the fact before me that because we tried to get up an agreement in 1904 to conserve the forests, we were very heavily fined in Missouri. And now if the hemlock men bring suit against us for invading their territory with low prices, we must lay the blame not to the lumbermen but to the misguided legislators of the State of Missouri, who felt it their duty to pass a law, and with the best of motives, passed a law that we ignored and felt safe under, and we were more afraid of the Sherman law, and we invited the government, we urged the government, I did personally because I was posing as a conservationist, to send down three men and see if we had violated the Sherman law. And your Mr. Robertson, who is, I believe, your special



investigator, had charge of those other two men, and he went down and spent several weeks in looking us over and went to our mills in Missouri and Louisiana and boxed up several hundred pounds of papers, and we told him to take the whole twenty-one years of our existence and go over it thoroughly, and he did so, and everything went to Washington and everything came back all right, and it was not checked out as O-K, but it was never checked in as criminal in any way, and I felt that we were likely to be useful by claiming that we were conservationists, and I said so to all the lumbermen. We lumbermen got together in many an enthusiastic meeting and raised \$100,000 to endow the Yale Forest School and raised some more money to put in an apparatus for testing timbers, and again raised some more money to build a distillery to find out what by-products we could get out of wood, and that distillery is now in operation up at Madison. We went up, some of us, to Madison at the time that institution was installed or dedicated, and I had the honor of being one, along with Dr. Van Hise and Ex-Governor Hoard and some others in saying something on that occasion.

We believed we were conservationists. The lumbermen got discouraged. They paid out a good deal of money for conservation. We invited the forest class of Yale and the forest class of the other institutions. I know I had on two different years the entire forest graduating class of Yale University and of the University of Nebraska and of the University of Missouri and other places, and we did everything we could to get in touch with the foresters of the United States. We believe we are in close touch with them now.

I was in favor of this Commission and I am in favor of this Commission and I am going to cut my remarks brief by just filing with you what I said before the Congressional Committee with regard to this Commission and its organization. Mr. Keith and I were down there, and we both made some enthusiastic statements in regard to the help we believed we should get and would get if the President would appoint this Commission.

I also want to file Bulletin No. 222, which has only been out three weeks, which has been published by the United States Government, issued or edited by the Chief Forester, Mr. Graves. It gives the latest statistics that show the errors in some of the reports as to the amount of lumber manufactured in different years. For instance, several thousand mills are left out one year and not put in again. In 1904 they were all put in, and in 1909 they were all included, and in 1899

they were all included, and so comparing ten years of the reports made by the census we can see where we are drifting, but they are incorrect as a mode of comparison without reading what Chief Forester Graves says in regard to the different years, as to how the information was gathered and compiled.

I personally took such an interest in conservation that I went to Europe, made two trips to study the situation over, and I believe that conservation as practiced in Europe, if practiced here in the United States, would cure all the ills. I do believe if there was some way for us to publicly get together and agree that we would conserve our forests and that we would hand them down as a legacy to our children and our children's children, as a patriotic duty, as something that concerns the public welfare more than anything else, because they are a natural resource. I do believe if we could get together in some way as they do get together in every other civilized country, this matter of conservation would cure all the ills that we are complaining of. I believe if the matter was turned over to this Commission and they would confer with the Forest Department of the United States, I do not think we would ever have any more trouble.

Forestry has got to be practiced by conservation, and conservation cannot exist unless we can have some plan for conserving our resources, unless we can agree upon some plan that is intelligent and will not be harmful to the people. The fact now is, it has been referred to as yellow pine being quite high priced as regards its upper grades. Clear yellow pine today is selling for \$18 a thousand at the mill; you can buy all you want for \$18 a thousand, and the lower grades are left in the woods to rot. I was much interested in those photographs that Mr. Keith presented to you gentlemen. I felt like in the language or, rather, paraphrasing the language of an advertisement for a hair-growing medicine when I looked at these pictures; one picture might be said conservation will cure, the next picture conservation will cure, but turn over to the third picture and it is too late for conservation.

So that as long as we have something to conserve, conservation will cure, but when it becomes too late, and the forests have gone, then it is too late for conservation.

I think this, that we have to study, as the foresters of the United States are studying, where it will pay to grow the trees. It will not pay to grow them in Illinois, because my friend here tells me that in his county of Woodford, Illinois, that none of the land sells for

less than \$300 an acre. We cannot grow forests on that land. I know now, I did not know then, 35 years ago when I went to Missouri and built a saw mill, if I had stopped in Illinois and bought some of that cheap land I would have made a great deal more money out of it than I did in going to Missouri and Louisiana and buying timber lands. But we bought some timber lands for \$1.25 an acre from the government, because everything was sold at the price of \$1.25 an acre. We bought all we wanted. We thought that was a big price, considering where it was located. But lands have gone up, and those lands that we bought for \$1.25 an acre from the government are worth today \$50 or \$60 an acre, and the lands that I could have bought when I came through Illinois 35 years ago for \$10 an acre are worth \$300 an acre. So that the lumberman's profits and the farmer's profits have come in about the same way. It is by the increase of those resources; it is the unearned increment that the farmer has got in the price of his land; and it is the unearned increment that has made the profits of the lumberman.

Take lumber in any one year and the actual cost of stumpage and then predicate your profits upon that, and you have not got ten per cent. There is not a lumberman that has made ten per cent profit on any one year if he figures his stumpage at what it was worth in that particular year. In 1893 we sold our lumber in Kansas City for \$10 to \$10.50 a thousand. There is not a lumberman in Kansas City that paid over \$10.50 in 1893 for his lumber. That was a condition, and it has been said since I can remember, and I have been in the lumber business 45 years; it has been said by old lumbermen, "Three years up and seven years down." And that is about the way we have gone. Any good remedy like conservation and the permission for us to get together under some reasonable legal restraint; that rule, if rightly made, will effect a cure, and it will keep us in line under normal conditions. But when we have abnormal conditions like a war we cannot expect nor we cannot hope to have any rule that will apply to those abnormal conditions. We have got to take our medicine, whether it is for us or against us in war times. I do not believe that when this war is over it will bring any great prosperity to the lumbermen. If the lumbermen are not careful it will ruin a great many of them. They may have two years of good prices and great demand, if the warring states in Europe have anything to buy lumber with when they are through. They may have a couple of years, but in the meantime, take the disposition of the lumberman; he goes



to work and runs night and day and builds some more mills, and bye and bye we have another condition, "Three years up and seven years down," and down we go. That is the history of the lumber business, and any old lumberman can tell you his experiences, and that is the way it has been going.

Gentlemen, I do not want to take up any more of your time. It is late. I thank you for your kind attention, and I will add, however, I think if I have not already done so, an address that I delivered on this subject a few weeks ago.

(The papers above referred to were filed by Captain White.)

**Mr. Downman:** Mr. Chairman, the lumbermen have about come to the end of their string at this time. But it has been mentioned through various of the papers or presentations here something about the Forestry Department and the timberlands held by the United States Government. We know that the Forestry Department has given a great deal of thought and study to it, Mr. Graves as well as all his assistants, and we would like to have Mr. W. B. Greeley, who is present representing the Forestry Department, make a short statement of the relation of the lumber market to the National Forests.

### STATEMENT OF MR. W. B. GREELEY

**Mr. Greeley:** Mr. Chairman and gentlemen, I do not feel that the interests of the Federal government in the administration of the national forests are very materially involved in this investigation.

On the Federal holdings, principally in the western states, the public has retained approximately 590,000,000,000 feet of timber. It has been the policy of the government in pursuance of the Acts of Congress concerning the administration of the National Forests to offer that stumpage for sale from time to time in limited quantities, and up to the present date our annual cut has reached approximately 500,000,000 feet. It is very apparent, therefore, that the sales of national forest timber have as yet not become any important factor in the supply of lumber of the country.

The bulk of the timber cut from the National Forests goes for the supply of various local industries and communities which logically look to these adjacent areas to furnish the timber products which they need. In addition to this local use, a number of sales have been made from time to time to larger companies which participate in

the general lumber trade of the country, and to that extent the government has frankly recognized that the timber from the national forests is competing in a degree in the lumber markets of the country with the timber which is under private ownership and being marketed by the private mills of the country.

The extent to which the public timber should be sold under such conditions as those now existing is very properly a matter for careful consideration by the government, and it is being given careful study in connection with the general inquiry into the whole situation which the Forest Service now has in progress.

The situation which has been presented here by lumbermen from various sections has been reflected in the demand for National Forest timber. The applications for the purchase of government stumpage have very materially fallen off within the last two or three years, and in many cases it has been necessary to grant extensions of time to contractors who had already purchased government stumpage. It has been our policy to do that and not to force operators to cut the timber which they had purchased, when to do so would force them to operate their plants at a material loss. We have been very glad to approve extensions of time and permit cutting to wait until market conditions are more favorable.

The handling of the National Forests, therefore, has been affected only to the extent that our sales of timber which now amount to about 500,000,000 feet a year have been reduced a greater or less amount, and the probability of additional sales for the time being had, of course, been materially lessened.

The Federal government does not manufacture any timber of the national forests, and our interests are affected only as regards the demand for stumpage.

Is there anything further, Mr. Chairman, you would like to have stated on that subject?

**Mr. Boyle:** Might I ask this question, and that is, the government by reason of its position, you say, grants extensions of time to those who buy stumpage, in view of market conditions; is that right?

**Mr. Greeley:** Yes.

**Mr. Boyle:** Has it taken contracts off of the hands of individuals who have entered into contracts with the government by reason of inability of private individuals to go forward with the contracts?

**Mr. Greeley:** That has been done in a few cases, Mr. Boyle.

**Mr. Boyle:** From your information and knowledge of the situation, the private owner who has erected a mill or contracted to do so by raising funds by a bond issue would not be in the same advantageous position of getting extensions of time from the parties from whom he is borrowing money as would the government be in to grant similar extensions. Do I make my thought clear?

**Mr. Greeley:** Yes.

**Mr. Boyle:** Am I right in my conclusion that the private operator who is operating on money that he borrows would not be in as advantageous a position as the man who is dealing with the government direct?

**Mr. Greeley:** The difference is just this, that in purchases of timber from the government no large investment in stumpage is required. The stumpage is paid for in comparatively small installments, as it is cut, so that the investment necessary is limited to that in the operating plant, therefore the man who takes over the government contract ordinarily does not have the same burden of investment to carry that the man who is operating on private land has to carry, so that there is not the same necessity in meeting the carrying charges in that investment to force a government operator to continue cutting under conditions when the private operator might be compelled to continue cutting.

**Mr. Boyle:** Has the Department furnished the Commission with the detailed statement of the extent of timber holdings of the government?

**Mr. Greeley:** I do not know whether that information has been furnished, but it is compiled.

**Mr. Boyle:** It is available?

**Mr. Greeley:** Yes, it is compiled in such shape as to be directly available.

**Mr. Boyle:** And that would be available for our investigation so we could give the information to the Commission?

**Mr. Greeley:** Yes.

**Mr. Downman:** I would like to ask this question. Within the last year has there been any reduction on the part of your Department in the price that they fixed on timber?

**Mr. Greeley:** No, sir.

**Mr. Downman:** You still adhere—

**Mr. Greeley:** It is not the policy of the Forest Service to reduce its stumpage price in periods of depression. We base our stumpage



prices on the average lumber market prevailing over a considerable period, so that there has been, broadly speaking, no reduction in our stumpage rates.

**Mr. Downman:** Are there any questions the Commission would like to ask, or have Mr. Greeley ask any lumberman here that might throw some light on the situation?

**Commissioner Hurley:** Mr. Greeley, do you wish to ask any questions?

**Mr. Greeley:** I think that the general situation has been sufficiently well covered so it is not necessary for me to ask any questions.

**Mr. Boyle:** Just one thought, Mr. Greeley. You have been present during this hearing with the Commission. What we are trying to get at is the truth about this situation, as I think everybody is convinced. Now, you are an officer of the government assisting the government in the administration of a great department. If there is any criticism that you could make upon the showing that these men have made here, I think it would be in the interests of the public as well as an aid for this Commission for you to do it, because we want criticisms and we want light. If these men are wrong, they are not entitled to what they are asking for. If they are right, they are certainly entitled to it. If you can make a suggestion wherein you can show they are not stating the facts as they truly exist, I think the Commission would be advantaged by getting that information.

**Mr. Greeley:** All I wish to say in reference to that, Mr. Boyle, is that about a year ago the Forest Service began a rather comprehensive study of the whole situation in regard to the holding of private stumpage and production of lumber and the distribution of lumber. We are still engaged upon that study, which we hope to complete in the course of the next five or six months, and all of the data which we obtain will, of course, be immediately made available for the Federal Trade Commission. While that study is in progress I feel that it would be inopportune for me to make any suggestion. When our study is completed and the data have been assembled and carefully studied, then we may have some definite suggestions to offer both to the Federal Trade Commission and to the industry, but until our data is completed I feel it would be better for me to withhold anything of that character that otherwise might be made.

**Mr. Downman:** Mr. Greeley, I would like to ask this, to get it in the record. Has it been the experience of your Department that the

lumbermen generally have willingly given your Department all the information that you sought?

**Mr. Greeley:** Yes, sir, for the most part we are getting excellent co-operation.

**Mr. Downman:** I did not know. I have been away for some time and I did not know whether you were getting it generally or not.

**Mr. Greeley:** Yes.

**Mr. Downman:** It is the feeling of most of the lumbermen that the Department is entitled to all the information we could give, even in details of our private affairs. As Mr. Greeley says, when you get that data, the information which the Department is compiling, I think that you will find that it will hew pretty close to the line of the evidence that has been brought out here at this hearing.

Now, Mr. Chairman, with those remarks I wish to thank the Commission for their courtesy here and will add to what has already been said here, that if there is any information that the Commission desires to illuminate this question in any way in their investigation, the National Lumber Manufacturers' Association as well as the affiliated associations and the members thereof will be more than glad to furnish it, or, if necessary, appear before your body at any time on your request.

**Mr. Boyle:** When is your first meeting next on this subject going to be held, Commissioner Hurley?

**Commissioner Parry:** The date has not yet been fixed. It will probably be in Spokane, a brief meeting in Spokane about the 6th of August. Following that there will be a meeting with the West Coast Lumber Manufacturers' Association in one of the cities of the Northwest, Seattle, Tacoma or Portland, to be fixed by the association. That will be during the week commencing August 10. We will probably meet with the Redwood men of California about the 21st, during that week, in San Francisco.

**Mr. Boyle:** That will be a convenient time to go to the Fair, then.

**Commissioner Hurley:** Have you any further statement to offer?

**Mr. Downman:** No, we are through.

(Whereupon, at 5 o'clock p. m., the hearing adjourned.)













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